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Japan

Deregulation Talks With U.S. Open in Tokyo

OW2302045595 Tokyo KYODO in English 0437 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—Japan and the United States started a working-group meeting in Tokyo on Thursday [23 February] morning to deal with deregulation under the bilateral trade "framework" talks, the Foreign Ministry said.

In the two-day meeting, negotiators from the two countries are expected to discuss Japan's five-year program to promote deregulation, which is to be adopted by the end of March.

They will also discuss a list of U.S. requests for deregulation submitted last November. The list covers 11 fields including auto and auto parts, telecommunications, distribution and financial services sectors.

The two nations have had talks based on the list since December, but Japan remains reluctant to respond fully to the U.S. request.

Hiroyasu Ando, deputy director general of the Foreign Ministry's Economic Affairs Bureau, heads the Japanese delegation at the meeting, while the U.S. side is led by Ira Wolf, assistant U.S. trade representative for China and Japan.

U.S.-Sited Factories Plan To Boost Investment

OW2302105195 Tokyo KYODO in English 1015 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—About 75 percent of surveyed Japanese factories operating in the United States plan more investment to expand business in the country, the Japan External Trade Organization (JETRO) said Thursday [23 February].

The semigovernmental body polled 1,681 Japanese-run factories across the U.S. in September on their capital investment plans, with about 65 percent responding.

Of the factories planning more investment, 49 percent plan to invest in remodeling existing facilities, 38 percent in expanding plants, 10 percent in building new factories and 5 percent in expanding into new business areas, JETRO said.

Some 68 percent have started exporting their products from the U.S. and 23 percent plan to do so in the near future, it said.

A JETRO official said managers are apparently strengthening their U.S. bases for exports to Central and South America or to Asia.

DA Chief Addresses Committee on Okinawa Bases

OW2302023995 Naha RYUKYU SHIMPO in Japanese 22 Feb 95 Morning Edition p 2

[FBIS Translated Text] Tokyo—Speaking before the first subcommittee of the House of Representatives' Budget Committee on 21 February, Defense Agency [DA] Director General Tokuichiro Tamazawa said that his agency wants to continue to persuade the Okinawan people concerning the need to construct a P-3C base. He said: "We are making efforts to gain their understanding (on the initial construction plan). We are not forcing it on them."

Speaking about the issue of relocating the Naha military port, he said, "We can achieve a reduction in the size of the port by moving only a small portion of its functions." Regarding the Yomitan auxiliary airfield, he insisted, "relocating the site of parachute training to somewhere else will lead to the airfield's reversion to Okinawa, which will mean a gain for the residents of the prefecture." He made these remarks in replying to questions by Saneyoshi Furugen of the Japan Communist Party.

Talking about the three pending issues, Furugen asserted, "Forcing the prefectural government to choose where to relocate the facilities, which is a type of decision that the people of the prefecture are opposed to, is nothing more than an act of passing the crucial responsibility for resolving the issues to the prefectural governor." Furugen recalled the Diet resolution of 1971 which called for the consolidation and reduction of the military bases, and he demanded the "unconditional total reversion" of the military bases.

Referring to the Naha military port issue, General Director Tamazawa answered: "We have not said that we would relocate the site while retaining its size and functions. We can reduce its size by relocating only the minimum necessary functions."

Asked about the use of the Yomitan auxiliary airfield, he replied, "If the training is relocated to a different base, all or most of the airfield can be returned, and it thus will become a gain to the people of Okinawa." On the question of live-fire exercises carried out over a prefectural highway, however, he said: "The total suspension of the exercise there will be difficult for the time being. We will think up ways to do so, and we will try to have the frequency of the exercises reduced."

In discussing further the issue of building the P-3C base, Noboru Hoshuyama, director general of the Defense Facilities Administration Agency, responded to questions. He said: "We have completed arrangements to secure 96 percent of the land area required for this. We can fulfill our mission if we have this land. The base is an installation that is essential for the security of Japan. We would like to continue our efforts to gain the local people's understanding on this."

Dietman Furugen then asked a question about the automobile tax rate levied on private vehicles belonging to U.S. military personnel and civilian employees, and he said: "The tax rate for U.S. personnel is only one-sixth of what Japanese pay. The total difference in the tax revenue paid since Okinawa's reversion would amount to more than 10 billion yen. The difference should be remedied in line with the principle of applying equal taxation within a territory." Director General Tamazawa brushed aside this view, however, saying, "Views on this can vary from the perspective of the Japanese-U.S. security structure."

DA Aims To Settle 'Pending' Base Issues

OW2302010595 Naha RYUKYU SHIMPO in Japanese 21 Feb 95 Morning Edition p 1

[FBIS Translated Text] The Defense Agency [DA] believes that an understanding was reached at a meeting held recently between DA Director General Tokuichiro Tamazawa and Governor Masahide Ota on a settlement of the three pending base issues, including the return of Naha military port, through the unification of the functions of existing military bases.

As a result, the DA has started to exert energetic efforts to settle the issues when Director General Tamazawa visits the United States in May.

However, on the issue of live-fire exercises over Prefectural Highway 104, which the prefecture wants abolished, the DA is sticking to its view that it would be "impossible to abolish all the exercises." Instead, it plans to persuade the prefectural government to accept the idea of holding as many live-fire exercises as possible in other prefectures.

Governor Ota, who suggested he would deal positively with the idea of relocating the drill site, said on 20 February that it was "logical that the central government, which uses the bases as far as the Japan-U.S. Security Accord in concerned," to convince the local autonomies of the benefits of compliance.

At the same time as it is hurriedly analyzing the outcome of the Tamazawa-Ota meeting, the DA plans to speedily prepare its proposal before Tamazawa's U.S. visit slated for May, or as early as the Japanese Golden Week holiday period starting 29 April.

On the outcome of the recent meeting between Tamazawa and Ota, a senior DA official said it was his understanding that proposals had been made and agreements reached on various issues. Among other things, the senior official said: 1) Without building a new port, existing facilities will be used as the new site of the military port; 2) the size of a new site will be kept to the minimum necessary; 3) an alternative site for the parachuting exercises was mentioned; and 4) a decision on the new location of the parachuting exercises will be made by the end of 1995.

The official continued: "With what the media called a realistic attitude, (Okinawan prefectural officials, including Governor Ota,) have begun to listen to us." In this way, he said, the DA was able to share a common understanding with prefectural officials during Tamazawa's recent visit to Okinawa.

On the governor's attitude toward Tamazawa's proposals on settlement of the three pending issues, the senior official said: "We feel happy because he said that the proposals were worth studying."

On settlement of the three pending issues, Governor Ota stressed: "These kind of issues can be settled only when the four parties—the U.S. Government, the Japanese Government, the prefectural government, and the local residents—share the same will. He said that it was difficult to find a solution to the bases issue because the prefecture opposed the existence of the military bases and insisted on their complete withdrawal.

He added: "To establish a foundation for self-sustaining economic development and to secure employment, we must expand the amount of land we can use through reorganization and consolidation of the military bases."

On the live-fire exercises over Prefectural Highway 104, the prefectural government said "we cannot call it a fundamental settlement unless all the exercises are abolished."

The DA, however, repeatedly stressed its view on this matter, saying: "The training is necessary. It is impossible to abolish all of the exercises. We will try to settle the issue by reducing the burden on local residents."

Depending on the measures adopted in any settlement of the issue of exercises over the prefectural highway, the central and prefectural governments may yet confront each other in the future.

As far as moving the site of the live-fire exercises to other prefectures is concerned, the central government, on the assumption that it would be difficult under the current special accord to shoulder the expense of moving troops, is studying the possibility of signing a new special accord with the United States.

France, Germany Seek Technology Cooperation

OW2202143395 Tokyo SANKEI SHIMBUN in Japanese 20 Feb 95 Evening Edition p 3

[FBIS Translated Text] Defense contractors in France and Germany, including Dashoo [name as published], a French defense contractor, are making moves to ask Japanese manufacturers for technological exchanges in the defense field. They are making the moves with the aim of lightening their heavy cost burdens required to develop specific military technology that are putting them under financial pressure, and of obtaining Japan's advanced electronics and composite-material technologies.

They are insisting, "There is an area where Japan and Europe can cooperate" in promoting a blueprint for building the theater missile defense (TMD) system that the Pentagon has proposed. The French and German defense contractors plan to lobby intensely with their respective governments to negotiate with the Japanese Government on the creation of a framework for the technological exchanges. There is a possibility that the question of the technological exchanges will develop into a political issue between Japan and Europe.

During his recent visit to Japan, Serju Dashoo [name as published], president of Dashoo, expressed his deep unhappiness with the Japanese Government's way of handling the technological exchanges, saying, "A few Japanese firms have expressed strong enthusiasm for the technological exchanges with us, but the Defense Agency has banned them from contacting us." He also indicated that he would ask the French Government to cooperate with in exchanging technologies with Japanese companies.

EU Urges Import Deregulation as 'Priority'

OW2302053295 Tokyo KYODO in English 0334 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—EU Ambassador to Japan Joern Keck, on Thursday [23 February] called on Japan to make the easing of import regulations a priority among its demands for Japan's deregulation measures.

Keck made the request at a meeting with members of the ruling coalition parties' panel on administrative reform, according to coalition officials.

Last November, the European Commission submitted a list of deregulation requests for Japan covering such areas as Japanese Government procurement, telecommunications, agriculture, transportation and financial services.

On a five-year government deregulation program to be worked out by the end of may, Keck expressed hope that Japan will clarify the reasons for items that are not to be deregulated, the officials said.

Tokyo in 'Quandary' Over ICJ Request

OW2302084795 Tokyo KYODO in English 0822 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—Japan is again in a quandary over a request from the International Court of Justice (ICJ) to submit an official statement on whether it believes the use and threat of nuclear arms violates international law or not, Foreign Minister Yohei Kono indicated Thursday [23 February].

The ministry "is now considering what judgment to make," including whether to make a submission or not, Kono told a House of Councillors Foreign Affairs Committee.

The International Court, based in The Hague, called on Japan on Feb. 16 along with various other nations to summit a legal opinion by June 20 after the United Nations adopted a resolution last year to ask the ICJ to decide whether or not nuclear warfare violates international law.

The ICJ, solicited by the World Health Organization, made a similar request to Japan last June, resulting in a domestic controversy.

The government of then Prime Minister Tsutomu Hata first included a phrase that the use of nuclear arms does not violate international law, thus drawing fire from the opposition parties and Hiroshima and Nagasaki atomic bomb victims.

The phrase was later erased before Japan's statement went to the ICJ.

Disclosure of Nuclear Waste Transport Route

OW2202144095 Tokyo YOMIURI SHIMBUN in Japanese 20 Feb 95 Morning Edition p 3

[Unattributed "Inside '95" article]

[FBIS Translated Text] The "high-level radioactive waste" generated by reprocessing spent nuclear fuel used at Japanese nuclear power plants is scheduled to be shipped back from France to Japan late this month. However, countries along the expected shipping route have raised protests and expressed concerns over the shipment. Although the Japanese Government hopes to obtain these countries' understanding on the shipment by disclosing the shipping route, France and Britain have expressed strong opposition to the disclosure of the route. France has reprocessed spent nuclear fuel and Britain will operate a transport ship carrying the nuclear waste.

"High-level radioactive waste" is waste fluid left over after reprocessing spent nuclear fuel and extracting reusable plutonium and uranium from it. Because the operation of a Japanese reprocessing plant in Rokkasho-mura, Aomori Prefecture will not start until the beginning of the 21st century, Tokyo has entrusted COGEMA, a French nuclear fuel company, and BNFL, a British nuclear fuel firm, with reprocessing nuclear fuel. It has sent more than 6,000 tonnes of spent nuclear fuel to France and Britain for reprocessing since 1969.

Two years ago, plutonium was sent back to Japan from France by "Akatsuki-maru," a Japanese ship. But the shipment of high-level radioactive waste is the first such shipment ever. The nuclear waste will be "solidified with glass" and be shipped out.

It will take a month and a half or two months to transport the nuclear waste from the northwestern French port of Cherbourg to Rokkasho-mura. There are three possible routes: 1) Going through the Caribbean Sea and the Panama Canal; 2) around Cape Horn, located on the southern end of Chile, and across the Pacific Ocean; and 3) around South Africa's Cape of Good Hope. The first route is the shortest, and most people think this route will be taken for the shipment. The other routes are unlikely to be taken because the sea near Cape Horn is expected to be rough at the time of shipment and the path around the Cape of Good Hope is too long.

Countries along the expected shipping route have expressed concerns and raised protests against the shipment. At the end of last year, Philippine President Fidel Ramos ordered the naval force not to let a transport ship carrying the nuclear waste pass through the country's territorial waters. The Dominican Republic in the Caribbean Sea also delivered its "protest against the passage of the ship near its waters" to the Japanese embassy in that country. In the United States, six house members (all Democrats), including Neil Abercrombie from Hawaii, have sent to President Bill Clinton a joint petition asking the president to urge Japan and France to put off the shipment plan.

The Foreign Ministry has made efforts to ease foreign concerns. It explained through Japanese embassies abroad that "the container to be used for nuclear waste shipping has been made in accordance with standards set up by the International Atomic Energy Agency (IAEA), and radiation emitted from it is within the level allowed."

In the shipment of plutonium using Akatsuki-maru, Tokyo did not disclose the shipping route. Because of this, "Japan also had friction with countries which were not along the shipping route," (according to a senior Foreign Ministry official). Being mindful of this bitter experience, the Japanese Government once decided to announce the shipping route. Nonetheless, being worried about possible interference in the shipment, France and Britain are reluctant to disclose the route. Because "Japan has to respect the wishes of Britain and France" (as stated by Makiko Tanaka, director general of the Science and Technology Agency), the government thinks disclosing everything is impossible. Yet, it is seeking a way to break the deadlock, considering "whether or not it is possible to disclose the route to the extent that the security of the shipment is still maintained," (according to a Foreign Ministry source).

Ministry Decides on Kansai Airport Expansion

OW2202004395 Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Feb 95 Morning Edition p 1

[FBIS Translated Text] The Transportation Ministry has decided to build additional runways at Kansai International Airport and a new Chubu International Airport in its seventh five-year airport construction program (FY 1996 to 2000). This is meant to meet the steady increase in the demand for international air transportation. Furthermore, the ministry believes that if the construction of hub airports in Japan lags behind the ongoing construction of large airports in various Asian countries, Japan may be passed over by the international aviation network.

The Transportation Ministry will submit these plans to the Council for Civil Aviation (an advisory body to the transportation minister) for approval in late March in order to include them in the seventh five-year program. With this, the focus of airport construction policy in Japan will shift from the simultaneous construction of hub airports and local airports to the building of hub airports alone.

The overall plan for Kansai International Airport, which opened last September, calls for increasing the number of runways to three from the existing single 3,500-meter runway. The second runway (4,000 meters) will run parallel to the first, while the third one (3,500 meters), to be used when a side wind is blowing, will be diagonal.

The proposed new Chubu International Airport will be built off Tokoname in Ise Bay, around 30 km south of Nagoya, and will have two 4,000-meter runways.

Both plans were designated "under investigation" in the current sixth five-year airport construction program.

The reason for speeding up the construction of hub airports, where domestic and international flights assemble, is because the present airport system has become unable to meet the increasing demand.

Narita airport has already rejected applications from 40 countries to introduce flights, while with only one runway, Kansai International Airport will reach the limit of its capacity to handle takeoffs and landings between 2002 and 2004.

On the other hand, there is a rush of plans to build new airports in Asian countries and territories. Japan is increasingly concerned that its hub airport function might be taken over by foreign countries.

One runway each will be built initially in the Kansai and Chubu airport projects. Under the seventh five-year program, the second phase of the Kansai airport project (building a second runway at a cost of around 2 trillion yen) will be undertaken, to be followed by the first phase of the new Chubu International Airport project (building the first runway at a cost of 760 billion to 960 billion yen). Completion is expected in the early part of the 21st century.

The Transportation Ministry will determine the participants in the project and the source of capital in the process of setting down the details of the seventh five-year program.

In the case of the new Chubu International Airport, a key question is whether the existing Nagoya airport will continue to handle passenger flights after the new airport starts operations. The ministry plans to submit the question for recommendations from the Council for

Civil Aviation in late March. After clearing up the above problems, the ministry hopes to get the council's approval to start in on the projects in its interim report to be issued this summer.

As for the construction plan, the prevailing opinion favors the "separate method," with the local government taking charge of the reclamation of land to form an offshore artificial island on which to locate the airport, and a third-sector entity undertaking the construction of the airport facilities.

In the case of Kansai airport: 1) The Osaka-fu Government will implement the reclamation of the airport island, and the Kansai International Airport Corporation will build the runways and other airport facilities; and 2) after completion, the airport corporation will pay the lease for the reclaimed land, or purchase the land in installments.

This plan came about from the past experience of the Kansai International Airport Corporation, which is in financial difficulty after undertaking both the land reclamation in the first phase of the project and the construction of airport facilities. Under the new plan, because the local government will take over land reclamation, which is both expensive and time-consuming, the airport corporation will be in a better financial position.

Murayam, Hashimoto Discuss Public Corporations

OW1902060195 Tokyo NIHON KEIZAI SHIMBUN in Japanese 18 Feb 95 Morning Edition p 2

[FBIS Translated Text] Prime Minister Tomiichi Murayama met with Ryutaro Hashimoto, minister of international trade and industry, for about two and half hours on the night of 17 February at the prime minister's official residence. Earlier, the prime minister had asked again Finance Minister Takemura and the minister of international trade and industry for their cooperation on the issue of streamlining government-affiliated financial institutions. Referring to this, Hashimoto promised that he would cooperate with the prime minister. Hashimoto said: "I do not hesitate to say what I want to say. I, however, keep my word." As for administrative reform and measures for rebuilding from the disasters caused by the great Hanshin earthquake, Hashimoto advised Murayama by saying, "Everyone will follow you if you assume a dauntless attitude and issue orders."

MITI To Reorganize Its Special Corporations

OW2302003295 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Feb 95 Morning Edition p 5

[FBIS Translated Text] The Ministry of International Trade and Industry [MITI] plans to drastically reorganize or scrap public service corporations under its jurisdiction.

According to its plan, 16 export-related public corporations will be scrapped by the end of 1997, including the Japan General Merchandise Promotion Center [JGMPC], which examines and authorizes the quality and design of export products; while the operations of the Japan Power Engineering and Inspection Corporation [JPEIC], which oversees the inspection of electric facilities, will be reduced by the end of 1995.

MITI's decision stems from an amendment to the Electricity Enterprises Act and the abolition of the Export Inspection Law as part of deregulation. Although the government has postponed streamlining public corporations until fiscal 1995, MITI's reform is likely to prompt a similar move from other ministries and agencies.

Public corporations are agencies engaged in government-related business. They were founded and operate with the authorization and support of the government through subsidies.

The government decided to reform public corporations because they have long been criticized as a waste of money, a source of amakudari [the unofficial system under which government officials land jobs after retirement in semi-government or private companies], and an obstruction to private-sector institutes. But the actual reform process has been halted because the government has faced difficulties in promoting the streamlining of state-run special corporations.

In addition to the JGMPC, the MITI plan would include the scrapping of various national export inspection agencies in charge of textiles, pottery, glassware, metal products, machinery, toys and so on. These organizations will be abolished in line with the repeal of three export-related laws, including the Export Inspection Law, by the end of 1997. In the past, these laws helped expand Japan's export industry, but their original purpose and significance faded as the nation's economy developed.

Public agencies working for the government are called "designated corporations." MITI's reform project will cut one-third of the 46 designated agencies currently operating under its jurisdiction.

The plan to reduce the operations of the JPEIC resulted from an amendment to the Electricity Enterprises Act, which stipulates the security measures and inspection procedures power companies must follow. The act has been revised to relax some regulations covering the frequency of inspection of power generation facilities. It is said that the JPEIC, which receives more than 1,000 inspection applications from power companies every year, now expects the number will to drop to only 40.

Furthermore, MITI intends to reform and reduce the operations of both the Japan Electric Appliance Institute and the Japan Quality Control Organization, which examine and guarantee the design and quality of electrical products, so as to revise the current legal system covering the sale of electrical products within fiscal 1994.

Until now, makers have been asked to obtain government certification to approve the quality of certain kinds of electrical products such as television sets and microwave ovens. MITI is trying to change the procedure to allow makers to issue their own certification.

As of October 1994, MITI controlled 900 public corporations. This is the second largest total, following the 1,760 agencies under the Education Ministry. The reform plan will urge that agencies due to be scrapped find a way to survive: Through privatization they could stay in the same line of business, or take a different direction and start a new business. Where corporations are closed, MITI is determined to ensure that staff find new jobs.

MOF Opposes Dissolving Export-Import Bank

OW2302011295 Tokyo SANKEI SHIMBUN in Japanese 20 Feb 95 Morning Edition p 3

[FBIS Translated Text] The Ministry of Finance [MOF] is rebelling against the idea of dissolving the Export-Import Bank of Japan [Ex-Im Bank] and transferring its business to the Japan Development Bank and Overseas Economic Cooperation Fund (OECF)—an idea emerging within the Liberal Democratic Party [LDP]. The MOF insists "no merit can be gained" from it. With the LDP expected to actively move toward arriving at a decision on the issue this week, a fierce battle between the two looks unavoidable.

The idea of dissolving the Ex-Im Bank emerged as an alternative plan, after the integration of the Ex-Im Bank and the Japan Development Bank proposed on 10 February as part of special corporation reform, was judged unacceptable. The main points of the new idea are: 1) To transfer the Ex-Im Bank's export, import, and investment banking functions to the Japan Development Bank; and 2) to transfer untied loans (loans given with no conditions attached on where to buy equipment with the loaned money) to the OECF. A senior LDP official said: "Much of the Ex-Im Bank's original functions have been fulfilled. We should move toward streamlining it by transferring its business to other institutions." The LDP thinks improved efficiency should be sought even in the Japan Development Bank, for instance, reducing investment areas that compete with private-sector banks.

But the MOF is poised to fight the idea of chopping up the Ex-Im Bank and removing some of its business to the Japan Development Bank. An MOF official said: "That would mean creating a giant policy-oriented banking institution covering domestic loans for investments in plant and equipment as well as investments abroad. It would be a bank the size of which is not seen anywhere else in the world—exceeding the World Bank, with outstanding loans of some 17 trillion yen. Forget about the possibility of it becoming a threat to the domestic private sector, banking industries overseas are bound to come to complain about it."

In 1975, the Ex-Im Bank transferred its business on Official Development Assistance (ODA) programs to the OECF after it came under international criticism for engaging in the ODA-related loan service business while engaging in the disbursing of loans. As such, the ministry is now critical of the idea of transferring business services on untied loans based on the ODA programs, saying: "In other industrialized countries, the institutions handling ODA programs are mostly independent. If services providing economic assistance and banking business services cannot be clearly distinguished, this could invite a misunderstanding of Japan's position on ODA."

Lower, Upper Houses To Pass Budgets This Month

Lower House on 27 Feb

OW2302050795 Tokyo KYODO in English 0421 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—The ruling and opposition camps agreed Thursday [23 February] to pass the 70.99 trillion yen fiscal 1995 budget and the 1.02 trillion yen second supplementary budget for fiscal 1994 at a plenary session of the House of Representatives next Monday, Diet sources said.

Executive members of the lower house Steering Committee struck a deal on the timetable during a morning meeting. The lower house plans to conclude discussions on the two budget plans Saturday.

The agreement made it almost a certainty that the budgets will be passed by the House of Councillors and enacted by the end of the current fiscal year March 31, they said.

If the lower house approves the fiscal 1995 budget as scheduled, it will be one of the fastest passages of a regular budget in Japan's postwar history.

The swiftness reflects the urgency of budgetary discussions following devastation of parts of western Japan by the Jan. 17 earthquake.

The second supplementary budget for fiscal 1994 has been proposed to fund measures to help reconstruct quake-hit areas.

The largest opposition party Shinshinto (New Frontier Party) has indicated its readiness to support the budgets.

Upper House 'Likely' on 28 Feb

OW2302105795 Tokyo KYODO in English 1019 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—The House of Councillors is likely to pass into law Tuesday [28 February] the 1.02 trillion yen second supplementary budget for fiscal 1994, vital for restoring quake-hit areas, Diet sources said Thursday.

The ruling and opposition camps also agreed to start deliberations Wednesday on the 70.99 trillion yen fiscal 1995 budget in the upper house Budget Committee to swiftly enact the budgetary bill, the sources said.

The second supplementary budget for fiscal 1994 has been proposed to fund measures to help reconstruction in areas hit by the Jan. 17 great Hanshin earthquake.

The largest opposition party Shinshinto (New Frontier Party) has also indicated its readiness to support the budgets.

More Pressure on Murayama To Resign Noted

OW2302110895 Tokyo KYODO in English 1043 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—The opposition Shinshinto (New Frontier Party) will seek Prime Minister Tomiichi Murayama's resignation over what it views as his recent political blunders, including the tardy rescue missions following the recent earthquake, party officials said Thursday [23 February].

The party will also grill Murayama over the lagging administrative reforms and the financial troubles of two credit unions, the officials said.

These fiascoes justify the en masse resignation of his cabinet, they said.

The party decided to step up its criticism against the Murayama administration in a meeting of senior party members held Thursday.

The party may submit a no-confidence motion against the Murayama cabinet, depending on the prime minister's response to its broadside, the officials said.

Former Prime Minister Toshiki Kaifu, who heads the opposition party, will make his party's stance clear at a press conference Feb. 27, when the fiscal 1995 budget is expected to pass the House of Representatives.

The party is accusing Murayama of the government's alleged delays in initiating relief activities following the Jan. 17 great Hanshin earthquake, which has claimed more than 5,400 lives.

Also fanning the opposition party's attack on Murayama is the apparent stagnation of administrative reforms and the government's rescue scheme to bail out two dubious credit unions which got into serious financial trouble over dubious lending practices.

But it is not yet clear whether the party will actually submit a no-confidence motion, given the strong grip on power of the three-party ruling coalition of Murayama's Social Democratic Party [of Japan], the Liberal Democratic Party and New Party Sakigake [Harbinger].

Yamahana Given Deadline for Leaving SDPJ

OW2302014295 Tokyo YOMIURI SHIMBUN in Japanese 22 Feb 95 Morning Edition p 3

[FBIS Translated Text] It was learned on 21 February that the New Frontier Party [NFP] has informally notified the New Democratic League, a rebel group within the ruling Social Democratic Party of Japan [SDPJ] led by Sadao Yamahana, that if it hopes to cooperate with the NFP in the next general elections, it must decide either to bolt from the SDPJ or break away from the parliamentary group by the end of February. The NFP will not seek an alliance with the Yamahana group if it does not make a decision by the end of February. The NFP plans to tentatively choose candidates to run in the next general elections in late February, hastening its internal coordination of opinions, and to announce a list of candidates to run on its tickets in the next general elections on 10 March.

Until now, the NFP has looked for ways to cooperate with the Yamahana group in the next general elections on the premise that the group will form a new party after bolting from the SDPJ. The NFP has negotiated with the group from the position that it will not field any candidates from even its incumbent lawmakers in any of the 300 single-seat constituencies of the House of Representatives, where incumbent lawmakers affiliated with the Yamahana group are expected to contest the next general elections with NFP-backed candidates.

The Yamahana group, however, has halted moves to form a new party in the wake of the great Hanshin earthquake, and on 15 February dropped its application for secession from the parliamentary group. Nonetheless, the Yamahana group is indicating that it will form a new party after unified local elections scheduled for April. An NFP leader said: "We can no longer wait" and his view is increasingly shared by many NFP members. The prevailing view among senior NFP members is: "The SDPJ is expected to suffer a crushing defeat in unified local elections and it will be increasingly difficult for the Yamahana group to keep itself together in order to split the SDPJ." The NFP is believed to be aiming to confirm the intention of each lawmaker affiliated with the Yamahana group on his or her secession from the SDPJ by the February deadline.

The NFP said: "A few lawmakers affiliated with the Yamahana group will make up their minds to leave the SDPJ after concluding that they will be unable to wage campaigns in their constituencies where they will have to vie with incumbent lawmakers backed by the ruling Liberal Democratic Party and Sakigake [Harbinger] in the next general elections."

LDP Moves To Renew Murayama Administration

OW2302024095 Tokyo ASAHI SHIMBUN in Japanese 21 Feb 95 Morning Edition p 2

[FBIS Translated Text] The Liberal Democratic Party [LDP] has started to take moves to rehabilitate the Murayama administration, which is in confusion over the delay in its initial response to the great Hanshin earthquake and the reorganization of the special public corporations.

Although the LDP is gaining confidence after returning to power, it believes that if the government acts confused at this point, the political arena will become volatile over the issue of the cabinet that will succeed it, and the cross-purposes of powerful party members eying the party presidential election in the autumn will emerge. These things will only benefit the rival New Frontier Party [NFP].

On the other hand, preparations are in full swing for the general elections under the new electoral system, and conflict with the Social Democratic Party of Japan [SDPJ] and Sakigake [Harbinger] seems to be inevitable. The LDP faces the dilemma of supporting the administration on the one hand, and aiming for an independent line in the elections on the other.

Encouraging Words

On the evening of 17 February, Ryutaro Hashimoto, minister of international trade and industry, visited the prime minister's official residence unaccompanied and had two hours of discussions with Prime Minister Tomiichi Murayama. Murayama had invited Hashimoto, whom he has known since their days as Diet members specializing in health and welfare issues.

When Murayama asked Hashimoto, "Can I count on your cooperation" in administrative reform and on post-earthquake measures, Hashimoto's reply was encouraging, for he said, "I will always speak my mind, but in the end, I will obtain a consensus for you."

With regard to the measures to deal with the damage caused by the earthquake, LDP Vice President Keizo Obuchi has led the discussions in the party from the very beginning with a plan to position former Deputy Prime Minister Masaharu Gotoda in the center of the government's advisory body.

Obuchi, who visited the prime minister on 14 February, explained in detail the anticipated developments in the current Diet session and moves inside the LDP. Murayama asked him to "continue to enlighten him on various matters."

Regarding the deadlocked issue of special public corporations, according to a senior party official, the reason why LDP Secretary General Yoshiro Mori and Chairman Koichi Kato of the Policy Research Council met with Finance Minister Masayoshi Takemura, with whom the LDP was in open conflict, on 15 February to "mend fences" promptly is the LDP's desire to consolidate the prime minister's base of support and to avoid an upheaval in the political situation.

In reply to the question "how long will the Murayama administration last" during a television program on 18 February, former LDP Secretary General Seiroku Kajiyama said, "As long as possible; until the end of the term of the lower house members."

Laying the LDP Open to Attack by the NFP

The term of office of LDP President Yohei Kono (deputy prime minister and foreign minister) will expire by the end of September. The party has yet to develop a consensus on the reelection of Kono, who is termed a "president elected as an emergency measure during our time in opposition" (according to a senior Mitsuzuka faction official). However, if the question of a successor to Murayama emerges soon, many party members consider Kono, the deputy prime minister, to be a strong candidate.

The honest feelings of Obuchi, Hashimoto, and Kato, who are regarded as future candidates for the party presidency, are probably that they would not like [to see Kono become prime minister]. Furthermore, if a political upheaval over the succession issue drags in even Takemura, the leader of Sakigake, this may well "lay the party open to an attack" (according to a senior LDP official) by the NFP.

Certain observers explain the LDP's unreserved efforts to rehabilitate the Murayama administration to be due to its "unwillingness to open the 'Pandora's box' of intraparty discord that will arise from a political upheaval" (according to an LDP leader).

An Election Is an Election

The LDP is carrying out a coordination process to determine the candidates for the single-seat lower house constituencies, with the aim of "unofficially selecting 200 candidates" by the party convention on 5 March.

On the other hand, coordination between the three ruling parties for "electoral cooperation in around 30 constituencies" (according to Mori) is lagging behind schedule.

The farther the LDP gets into this coordination process, the more and more difficult it will be to achieve cooperation between the ruling parties. The possibility of extensive cooperation in the upper house elections has also been looked into, but in the end, the LDP, SDPJ, and Sakigake could only agree to join hands in a few electoral districts, such as Wakayama and Oita.

The LDP is supporting the incumbent administration to avoid intraparty discord. However, it is also building an independent electoral campaign structure. The difficulty of the LDP's position lies in the fact that it has no choice but to carry on in a manner that may "rightly be called opportunistic" (according to a senior LDP official).

LDP, SDPJ Split on War Renunciation Issue

OW2302113995 Tokyo ASAHI SHIMBUN in Japanese 23 Feb 95 Morning Edition p 2

[FBIS Translated Text] The ruling parties' project team for post-war 50-year issues (headed by Satoshi Arai of the Harbinger Party), which has examined the possibility of adopting a "war renunciation" resolution in the Diet during this year which marks the 50th anniversary of the end of World War II, held a meeting on 22 February to discuss how to have the Diet adopt the resolution.

However, attendees at the meeting failed to even discuss the wording of the war renunciation resolution and when to adopt it in the Diet in the face of a strong backlash from team members from the ruling Social Democratic Party of Japan [SDPJ] against the inauguration of a league of dietmen within the ruling Liberal Democratic Party [LDP] which is opposed to the Diet adopting "any resolution apologizing for the past war."

At the meeting, attendees from the SDPJ made an issue of the "League of Dietmen for the 50Th Anniversary of the End of World War II" which had been established within the LDP and is composed of 161 legislators affiliated with the LDP, with Seisuke Okuno as chairman. The league's rules explicitly say, "We object to the Diet adopting any resolution apologizing for the past war." LDP Secretary General Yoshiro Mori; Ryutaro Hashimoto, minister of international trade and industry; Defense Agency Director General Tokuichiro Tamazawa; Seiroku Kajiyama, Hiroshi Mitsuzuka, and Michio Watanabe are members of the league.

At the meeting, Kosuke Uehara of the SDPJ first touched on an agreement reached between ruling coalition parties on the formation of the Murayama government that explicitly said, "We are now searching our souls over the past war and express our resolve to work for peace in the future," and then expressed his unhappiness with Secretary General Mori by saying: "An LDP representative who was involved in negotiating the agreement on the formation of the Murayama government has joined the league, and this is a grave issue that could have an impact on maintaining the Murayama government." Uehara also renewed the SDPJ's demand for an early adoption of the resolution in the Diet. In response, Kazuo Torashima of the LDP said, "The project team is in no position to direct or order the league," and repeated his insistence that "given the situation inside and outside our party, an early adoption of the resolution in the Diet will be extremely difficult."

Labor Unions Maneuvering To Reform SDPJ

OW2302111895 Tokyo ASAHI SHIMBUN in Japanese 22 Feb 95 Morning Edition p 1

[FBIS Translated Text] Former Chairman Sadao Yamahana of the Social Democratic Party of Japan [SDPJ] and others have led the 30-member preparatory council for rallying liberals and democrats to form a new party. The Japan Postal Workers' Union (headed by Mototake Ito) [JPWU] and the Japan Telecommunications Workers' Union (headed by Koji Kajimoto) [JTWU], which have strongly backed moves by the preparatory council to form a new party, firmed up a plan on 21 February to form a new broad-based party by rallying all the forces within the SDPJ beyond the framework of the preparatory council. The two labor unions have reviewed their policies of forming a new party after concluding: 1) the preparatory council has halted its activities in the wake of the great Hanshin earthquake and that if the present situation were to continue, the moves to form a new party would lose their momentum; and 2) it is necessary to end the rift that has developed between the two labor unions and the All-Japan Prefectural and Municipal Workers' Union [AJPMWU] and the Japan Teachers' Union [JTU], which have been critical of the two labor unions' policies. Some members of the "New Democratic League," a group formed by lawmakers within the SDPJ, have not participated in the preparatory council and the two labor unions plan to use the group as a stage for rallying forces within the SDPJ. Yamahana and 24 lawmakers affiliated with the SDPJ have envisioned a plan under which they will use the preparatory council as a stage for forming a new party—together with Tatsuo Kawabata, who has left the New Frontier Party, and Banri Kaieda, a member of the "New Democratic Club"—prior to unified local elections and increase the number of lawmakers joining the new party from 40 to 50 by admitting additional lawmakers from the SDPJ. The two labor unions have backed their moves to form the new party.

With the preparatory council forced to halt its activities in the wake of the great Hanshin earthquake, however, the view is growing within the two labor unions that "the preparatory council is preoccupied with keeping its lawmakers from breaking away and that we cannot expect it to increase the number of its lawmakers." The rift has developed between the AJPMWU and the JTU, which have aimed to form a new party which is joined by the majority of SDPJ lawmakers, and the local chapters of the JTWU. Local chapters of the JTWU have begun to react against the rift and their headquarters' excessive intervention in politics.

For these reasons, while maintaining their backing of Yamahana, the two labor unions have decided to look for ways to form a new broad-based party with the participation of lawmakers who are from the AJPMWU and affiliated with the New Democratic League, but have not participated in the preparatory council. JPWU Chairman Ito and JTWU Chairman Kajiyama met on 13 February with AJPMWU Chairman Morishige Goto and JTU Chairman Eichi Yokoyama to find areas of agreement on a framework for forming a new party and the timing of forming it.

In response to a call from the two labor unions, Yamahana and others have begun moving to rally more forces for the New Democratic League. The JTWU aims to form a new party with the participation of only members of the New Democratic League while distancing itself from a group close to Prime Minister Murayama. Meanwhile, the AJPMWU and the JTU plan to form a new party with the participation of the majority of SDPJ lawmakers through debates in a "new party preparatory council" (tentative name) to be established within the SDPJ. It remains unclear whether the unions will be able to reach an agreement with other trade unions on their plan.

* Political Move Toward Realignment Predicted

952B0102A Tokyo SEKAI ORAI in Japanese Feb 95 pp 8-15

[Article by Takuji Masuda, political commentator: "Heading Toward Realignment of Political Scene—These Will Be Moves of Leaders in Nagata-cho!!"]

[FBIS Translated Text] **Murayama Administration Will Collapse If Confrontation Between Rightists and Leftists Intensifies**

The political situation in 1994 was a veritable year of turmoil and chaos. The Hosokawa, Hata, and Murayama coalition governments took office one after another at a bewildering pace and, on 10 December, the New Frontier Party [NFP], the first major political party since the consolidation of the conservatives in 1955, was formed, launching the so-called 1994 system, and the age of two major political parties, including the ruling Liberal Democratic Party [LDP].

Needless to say, such developments are predicated on survival strategies of Diet members together with implementation of the new election system centered on introduction of the 300 small House of Representatives electoral districts (25 December), but since further political restructuring is expected in connection with the new system, the new political structure should be considered a midterm political alignment to last until the first part of the 21st century.

Further, it is believed additional realignments will take place in the political situation in 1995 involving other small and midsized political parties with the two major parties at the center amidst the borderless nature of current political parties.

With the foregoing in mind, this article will focus on key individuals among ruling and opposition parties who will play a leading role amidst the turbulent political scene, in an attempt to predict the 1995 political situation which is currently totally obscure.

First, the key to viewing the 1995 political situation will be the actions of the Social Democratic Party of Japan [SDPJ]. The SDPJ, which is supposed to be the core political party of the Murayama ruling coalition parties, is now in an upheaval over the timing of the party's dissolution.

The dissolution process of the SDPJ can be better understood when viewed as individual Diet member's survival strategy rather than a strategy of the party itself. This author's simulation shows that if the SDPJ should enter election campaigns on its own, its seats under both the small electoral district and proportional representation district will fall drastically to 30 seats from the current count of 71.

Considering such realities, both leftist and rightist Diet members of the SDPJ are individually seeking ways to collaborate with the two major political parties in connection with upcoming elections, with noticeable movements by Secretary Wataru Kubo's rightist group in December and January to accelerate the formation of a liberal new party.

The liberal new party—organized of key members coming from the rightist group policy organization known as the New Democratic League [Shinminren] (led by Sadao Yamahana), former cabinet members of the Hosokawa administration, and executives of the former Hosokawa ruling coalition parties—has consistently been critical of the LDP-SDPJ coalition government. Accordingly, the liberal new party hopes to form itself as a new party and as a third political force, and then collaborate with the NFP composed of the old coalition government forces in an election effort.

The liberal new party's basic strategy as stated by Yamahana at a symposium in December was, "We will call for a party dissolution rally even before the regular Diet session at the end of January 1995 and form the liberal new party, but it is still uncertain as to whether the formation of the party will take place according to this time schedule. The reason is that the SDPJ rightists are having difficulty making a final decision because of traditional considerations."

There is a need to recall history and the chain of events leading to the formation of the Democratic Socialist Party [DSP] in 1959, wherein the party was unavoidably established with the rightist Nishio group banned by the leftist wing because of confrontations involving the amendments to the then military security arrangements. Of special note is that the the leftists will probably go to the extent of doing their best to avoid the worst possible situation, because the pending dissolution or decimation of the SDPJ could lead to the collapse of the Murayama SDPJ administration.

Mid- to late-January can be visualized as the crucial timing for a clash between the leftist and rightists, but even if a clash can be avoided and even if the liberal new party issue can be postponed until after the consolidated local elections in early spring, there will be no way to avoid the collapse of the current administration. It will be in such a manner that the initial leading role players of the 1995 political scene mentioned earlier in this article will turn out to be Kubo and Murayama, but there are some sources which compare the confrontation between these two individuals with the conflict between elder statesmen Takamori Saigo and Toshimichi Okubo. Saigo revolted against the government of the time with support from students of a private school, but faced defeat in the end and committed *harakiri* at Shiroyama, while Okubo won the war with Saigo, but shortly thereafter fell victim to a rebels sword.

The turmoil over the SDPJ split also faces the strong possibility that it will ultimately end in a battle without a winner and may turn out to be a story wherein as stated by an NFP executive, A case where both parties are merely treading the path of party self-destruction.

However, we probably cannot view Muryama and Okubo, who was considered an indomitable politician, as being in the same category. In fact, according to an SDPJ source, politicians of Murayama's type who are pragmatic politicans with coordinating skills are often subject to being influenced by given situations.

This fact is obvious even from the single incident in which Murayama very easily reversed a basic policy which could be termed the SDPJ's cardinal rule cherished over many long years. You can consider him a leader of the genre that can be created only under the moratorium-type situation currently in force, but in any event, there is probably no mistaking that in 1995 Murayama will become the SDPJ's 15th-generation shogunate Keiki. Even the other hero, Kubo, may be able to contribute to the scrapping of the SDPJ, but should probably delegate the chore of building a new party to younger leaders such as Yamahana, Hokkaido Governor Takahiro Yokomichi, or former party secretary Hirotaka Akamatsu. Now, even the LDP, the largest member of the ruling coalition, has become sensitive to the controversy over the split in the SDPJ. Under current conditions, the LDP has no actions it can take in that we are speaking of a situation in a separate political party, but some sources in the LDP advocate dissolution at the start of the regular session of the Diet and execution of a general election, but the party is not necessarily assured of doing well in the election.

If Coalition Among Two Conservative Forces Is Established, Possibility Exists of Third Kaifu Cabinet

According to sources close to Kono, the basic strategy of the key duo of LDP President Yohei Kono (deputy prime minister and foreign minister) and LDP Secretary General Yoshiro Mori is to somehow work towards the preservation of the coalition government by avoiding any turmoil, under guidance issued by former Prime Minister Takeshita from his inner sanctuary. Of special significance is that LDP President Kono's shrewdness has been domonstrated by the total acceptance of the coalition platfom by the SDPJ-Sakigake lineup at the time of the launching of the current coalition. It will be truly intriguing to observe what sort of clever scheme Kono, who is regarded as a maverick in the LDP, will devise during the tight January-February political schedule. At a glance, Kono projects a strong doctrinaire image, but in substance he is regarded as a political strategist who surpasses Ichiro Ozawa. An episode that fully demonstrated Kono's image as a politician was the 40-day LDP struggle of 1979. You might say it was unprecedented, but Ohira and Fukuda of the same LDP engaged in a desperate battle for the position of prime minister in the principal chambers of the Diet. During the elections to designate the next prime minister, Kono's Shinjiyu Club of four Diet members who had been attacking the Ohira administration for its plan to introduce a general consumption tax, suddenly reversed itself to support the Ohira candidacy. That action was looked on with amazement by not only a large segment of the public, but by supporters of the Shinjiyu Club. It was later revealed that Kono and his group's decision was based on an offer (later to be broken) of the minister of education post to a member of the Shinjiyu Club made in a secret agreement between Kono and Ohira. Notwithstanding, Kono is bold enough to brazenly perform such an acrobatic act. If we think of him as such, Kono may have already begun to prepare his strategy for the post-Murayama period. If the SDPJ, which is one of the partners to the coalition, is dissolved and Murayama becomes a nonaffiliated member of the Diet, sources close to Kono say, "We will encourage the mass enlistment of members of the Murayama group," as part of a scheme to preserve the coalition government. (How the Sakigake will react in such a situation is a delicate issue.) If the desire is to maintain the position of ruling party, Another option is the possible clever scheme of forming a major coalition between the conservative LDP and the conservative NFP. One elder statesman of the LDP once stated seriously, "It is extremely nonsensical to persist in petty ideas such as Ozawa versus non-Ozawa or non-LDP approaches. Now is the time for Japan to aim for a stable government based on an alliance of the conservative forces."

If it comes to the formation of an alliance of conservative forces, Kono just might support as prime minister NFP President Kaifu with whom he has been intimate from the former LDP days. If that happens, a third Kaifu cabinet can be organized some time in 1995. Kono once said to this writer, "I kind of feel that my type is more compatible with periods of turmoil than with periods of tranquility."

In that sense, as a year expected to be plagued by major political turmoil, 1995 will be a year in which Kono can be expected to play a key role. Kono will be completing two years of service as party president in the fall, but the LDP will probably retain Kono in the job as a key player for another two years. Kono is sarcastically referred to by some sources as unprincipled but a principled Machiavellian, but he is probably compatible with the times because he is that type of politician. LDP Secretary General Yoshiro Mori, who is paired with Kono, has begun to be considered as a politician whose time is about to arrive. Mori, who became entangled in the Recruit scandal six years ago, found his career temporarily stalled, but since then he has served as LDP chairman of the political affairs research committee and minister of international trade and industry, and has gradually earned himself the privilege of reinstatement as a leading political leader. The LDP met with utter defeat in the general election of July 1993 and became an opposition party for the first time in 38 years at which time Mori was appoinited to the much sought-after post of secretary general under newly appointed LDP President Kono, but that was secretary general of an opposition party and not of a ruling party. Comments were even heard that Mori has accepted a bad bargain.

Secretary General Mori's foremost mission turned out to be a question of how he would regain the trust of the LDP, which was lost as a result of the huge Kanemaru tax evasion incident. At any rate, after a full year of grappling with the partys recovery program documented in its draft of a new declaration, he was able to complete the major program of abolishing party factions by the end of the year. However, it is fact that persistent comments are being made that reforms of that degree are inadequate. As a means of eliminating the corrupt image inherent in the LDP political party name, reformist Diet members have made comments such as, "We were hoping for some brute courage equivalent to party dissolution including a party name change and the formation of a new party."

On the other hand, appointments made when the new LDP Executive Council was launched in summer 1993 indicated the beginnings of a departure from former patterns for appointments made on the basis of seniority. The reason is that executives were appointed from among those party members who were born in 1935 or later. A quick review shows that those appointed as party president, vice president, secretary general, and chairman of the policy research committee were all born in 1935 or later. Future appointments may include dipping back into older groups, but basically they should center on people born in 1935 or later years. Further, a political environment like that will call for Mori to play an increasing number of key roles. He passed his one-year anniversary as secretary general in the fall of 1994, but he will serve in the position until the party rally in January under provisions for automatic extension of officer appointments. In any event, Mori has been promised appointment to an influential post such as foreign or finance minister in connection with the next cabinet reshuffle. It is said that such appointments are conditioned on the continuation of the Murayama coalition government, but 1995 should unmistakably prove to be a year of significant career progress for Mori.

Will They Rebel Against Kono?! Future Moves by Hashimoto and Kato Warrant Watching

Actions by Ryutaro Hashimoto, minister of international trade and industry and a rival of Foreign Minister Kono in the present administration, must be watched carefully if one wishes to predict the political scene in 1995. Mass media surveys show that Hashimoto now enjoys enough popularity to be a regular candidate for prime minister, but political luck evades him for some inexplicable reason. He possesses all of the attributes of a prime minister candidate to include experience as a Diet member and appointment to party executive positions such as minister of finance and service in three key party positions, but just when you think he is about to be selected for the prime minister position, some unanticipated barrier falls to obstruct his path. When the Takeshita cabinet collapsed in 1989 because of the Recruit scandal, calls for Hashimoto to become prime minister came from both within and without the LDP, but the sudden surfacing of a womanizing scandal led to the creation of the Uno administration. In the Uno administration, he was appointed to the hoped for post of LDP secretary general, but miserable defeat of the LDP in the House of Councillors election led to his and Prime Minister Uno's resignation a short two months later. In the Kaifu government, he joined the cabinet as the virtual deputy prime minister, but a securities scandal, uncovered near the end of the administration's term, caused him to take responsibility and resign when his personal secretary underwent questioning about the scandal. In the Murayama administration, he expressed a strong desire to become foreign minister but lost out to LDP President Kono and has reconciled himself to the position of minister of international trade and industry. In connection with Japan-U.S. trade friction, he was involved in a head-on confrontation with Kono, but according to Ministry of International Trade and Industry [MITI] officials, In terms of impact, he allowed Kono to win a few points. According to sources in the foreign ministry, Hashimoto reminded U.S. Trade Representative Kantor, "I am in charge of this issue. I would like you to go through me in negotiating the specifics of the issue."

Sources close to Hashimoto provide the analysis that, "The minister is an uncommonly proud individual and must be suffering from unbearable humiliation for having to function in a position inferior to Foreign Minister Kono, who has less seniority as a politician."

Comments about Hashimoto in and around Nagata-cho are many, for example: "He is unable to tolerate the thought of being made a fool," "Lacks forgiveness," and "Has a habit of taking a defiant attitude," and this writer cannot help but feel that his blunt manner of speech invites unnecessary misunderstandings. As an example, there is the undeniable solemn fact that the existence of zoku Diet members facilitated the formation of corrupt political-bureaucratic-industry relationships, but Hashimoto contrarily engages in an eloquent dissertation of the utilitarian value of the zoku Diet member. If Hashimoto insists on expressing his views in such a manner, one wonders how he would respond to the comments of a Sakigake official who says, "If Hashimoto's past reports on political fund revenue and expenditures were to be audited in detail, it would be discovered that the majority of the revenue came from public welfare, social welfare, and hospital connections, and it would seem that he could not completely deny that such revenue substantiates a cause-and-effect relationship with the fact that he himself is a major figure among the social and labor zoku." Hashimoto, who consistently champions basic conservative causes such as serving as chairman of the Japan Association of the Bereaved Families of the War Dead, is not suitable for playing the leading role during coalition administration periods. Ancient Chinese archives contain the saying, "A man of virtue will naturally attract admirers." If he spontaneously nurtures the qualities of virtue and tolerance, Hashimoto's day as a leader may not be too far off. An individual who surfaced as a new influential official of the LDP just before or after the Murayama coalition government was established was LDP Political Affairs Research Committee Chairman Koichi Kato. Kato descends directly from former Prime Minister Ohira and his basic doctrines are also of a pacifist nature. Ever since the LDP joined the ranks of the opposition in August two years ago, Kato represented the views of intermediate-ranked Diet members under the so-called YKK (Taku Yamasaki-Junichiro Koizumi-Koichi Kato) lineup, and in 1994, the Group Shinseiki, composed of intermediate and junior Diet members and centered around the three, was formed to virtually launch party within party-type activities. At one time they even made statements suggesting that they would break away from the LDP, but Kato himself stresses intra-system reform.

The behind-the-scenes role played by Kato and his group in connection with the establishment of the Murayama Administration is not to be overlooked. They attempted contacts with SDPJ Diet members regardless of rightist or leftist affiliations and established a trend towards the formation of an LDP-SDPJ alliance. One junior leftist SDPJ Diet member expresses his sentiments by saying, I did not think Katos ideas were so flexible.

During the formation of the Murayama cabinet, reports indicate the prime minister personally approached Kato with the offer of the position of defense director general, but Kato declined by saying, I have already served in the position twice and I would like to see you offer the position to a first-timer. When the Murayama administration was born and Hashimoto took a lateral move to the position of minister of international trade and industry from that of political affairs research committee chairman, Kato's turn to serve in the latter position came around. As far as Kato is concerned, it was an assignment that he did not particularly seek, but during the personnel reshuffle of autumn 1994, he was about to be displaced by rival LDP President Kono. However, Kato reportedly rejected reassignment from that position, using as a reason the existence of Group Shinseiki [New Century].

The year 1995 will prove to be a crucial test for Kato. Kato, who aims for the long-term stability of the Murayama administration, is extremely cautious about the dissolution or fragmentation of the SDPJ. Undoubtedly, Kato already has his next secret plan for preserving the coalition. As far as this writer can see, the policy-development capacity of the Group Shinseiki is such that they can exercise an influence over the new party Sakigake, the policy group of the SDPJ, and the former Democrats. In reality, Kato himself has said, I have never felt a sense of incompatibility with those groups, and if the SDPJ should dissolve and the Murayama administration falls, he may collaborate with the liberal new party, embracing ideas of the former Democrats to work on yet another restructuring of the political scene.

Obuchi and Takemura Who Function Under the Guidance of the Heisei Apparition

Keizo Obuchi, who assumed the post of LDP deputy president concurrent with the formation of the Murayama administration, has suddenly surfaced as a key player. The former Obuchi faction steadfastly dedicated itself to former LDP policies while the rest of society was engulfed with new party and reform booms. In fact, we cannot say that the Obuchi faction did not in a way appeal its existence by assuming a position which was diametrically opposed to the Shinseito. Obuchi, who was the champion of that approach, has one more title as the party's Election Countermeasures Headquarters chief. Obuchi's boss, Kakuei Tanaka, once declared, "Anyone who manages an election will control the political scene," but Obuchi's forte regardless of what is said is the fact that he is backed up by a consultant in the form of former Prime Minister Takeshita, the LDP's leading electioneering expert.

The possibility exists that the first general election under the new election system will take place as soon as February or March, but Obuchi probably faces some headaches as to how he will collaborate with the SDPJ and Sakigake as partners of the ruling coalition parties. According to sources close to Obuchi, his basic concept calls for swiftly regaining sole LDP control of the government by posting LDP-recognized candidates in all 300 small electoral districts and winning a majority in the election after the next one.

As ever, Obuchi assumes a cautious approach about when to execute a general election, but some segments of the LDP have begun to express the view that they should execute an early dissolution of the current Diet, depending on the turmoil in the NFP or trends in the New Democratic League [Shinminren]. However, reportedly, former Prime Minister Takeshita himself is developing a secret plan which envisions an election which runs concurrent with the House of Councilors election in July. Speaking of Takeshita, we should no longer look upon him as having any vestiges of the former LDP leader. We should probably regard him as having forfeited his usefulness as a politician suitable for official representation of a polical party in view of his involvement in the Kominto incident. Although he has been restored to LDP membership, he himself has said, "I have no desire whatsoever to serve as an officer of the party."

That attitude is obvious in the role played by Takeshita in the establishment of the Murayama administration and the appointment of LDP Vice President Obuchi, but it will probably turn out to be a case where Takeshita makes full use of his inherent capabilities in connection with backstage political activities. One LDP official assessed Takeshita as a big-time political consultant of

Nagata-cho, which is aptly stated but a strange title. Now, we can mention Sakigake President Masayoshi Takemura, who currently serves as finance minister, as having accomplished the most rapid climb up the political totem pole and not just among the coalition parties. We sometimes hear comments about Takemura being the Takeo Miki of the Heisei era and a Balkan politician, but regardless of what is said, he has demonstrated the uncanny skill to be appointed to the influential key posts of chief cabinet secretary in the Hosokawa cabinet and current finance minister after being elected to the Diet only three times. Moreover, his skill in winning the post of minister of health and welfare for Masakazu Ide with the same three-term seniority defies any sort of analysis. Come to think of it, it was Takemura who played a key behind-the-scenes role in guiding the unprecedented LDP-SDPJ coalition government experiment to a level of prominent success. Takemura made skillful use of the logic that the LDP-SDPJ enemy of Ichiro Ozawa is a friend, personally played the role of serving as the adhesive between the LDP and SDPJ, and succeeded in forming the coalition government. According to an SDPJ official, Takemura as part of the Murayama administration is irreplaceable, and if Takemura's Sakigake group should leave the administration, there would be the possibility that the cabinet would fall. Accordingly, presently, if Prime Minister Murayama were forced into an untenable position owing to a no-confidence vote against the cabinet and he were forced to resign, any premise calling for preservation of the current coalition structure would probably place much higher priority on a Prime Minister Takemura than Kono. Takemura, who possesses courage not typical of a former bureaucrat, will probably play a key role in the 1995 confrontation between East and West with the other key role being played by NFP Secretary General Ichiro Ozawa.

Will It Be Possible for Ozawa and the NFP Facing Many Future Difficulties To Regain Government Power?

The NFP was established on 10 December as a major political party with 214 Diet members and, as expected, assumed the characteristics of an Ozawa party with Ichiro Ozawa's appointment as the secretary general. The surfacing of a split among former Shinseito officials about election of the NFP leader precludes a prediction of any absence of future difficulties in party operations, but a broader perspective would indicate that the removal of barriers among former political parties owing to the birth of the new party will lead to a situation where we could say that the so-called "Ichi-Ichi [Ichiro Ozawa-Yuichi Ichikawa] lineup" of crisis management with Ichikawa serving as chairman of the NFP executive committee will be strengthened in the future even more than in the Kaishin days. Notwithstanding, an examination of Ozawa's record over the last year shows a veritable chain of failures and stumblings such as the public welfare tax, cabinet restructuring, collapse of the Hata coalition government following establishment of the Kaishin, and defeat of his nomination of a Kaifu for the post of prime minister. It was a tragic year. If such failures continue, it will only be logical that forces critical of Ozawa will manifest themselves in the group, but in response to the question of why such failures do not lead to the logic that Ozawa should be eliminated, the answer is that the old coalition forces cannot make even minimal progress without the existence of the command post controlled by Ozawa. Accordingly, as long as the NFP survives, it would be better to assume that Ozawa control will remain forever. The near-term issue facing Ozawa is a national election, and if he achieves a major victory, Ozawa control will be strengthened further, but even if he faces election defeat and resigns as secretary-general, behind-the-scene Ozawa control will continue. The individual who forms a duo along with Ozawa is former prime minister and current NFP President Kaifu. Some sources speak of a repeat of the Kaifu administration which was created six years ago, but the fact that Ozawa himself expressed a strong desire for the repeat performance must indicate that the two make a very compatible team. The politician Toshiki Kaifu is an individual who was born under an extremely lucky star. He experienced his first defeat as a politician in the prime minister election of 29 June 1994, but he has succeeded in winning appointment to the post of a leader of a major political party.

There is criticism about a dual power structure, but a political party requires an official leader and an internal manager, and it was very reasonable for the NFP to choose Kaifu as the party leader in a year in which consolidated prefectural elections and the House of Councilors and House of Representatives elections are scheduled. However, during this cycle, Kaifu is expected not to fill the post of supreme commander, but to play the role of the opposition party leader which in a sense means that he will be challenged in terms of his capabilities as a party executive. He will be expected to exercise leadership backed by strong convictions, in the face of a fragile political base. Finally, we refer to Tsutomu Hata, party vice president and former prime minister, who was a contender for the party leadership post along with Kaifu. According to sources close to Hata, "He is an indifferent personality with little concern for worldy things," which means that even though he has lost in the election for party leader, he will sense no resentment while he should not as a matter of good judgment. However, the fact that Hata was supported as party leader candidate, not by junior Diet members, but by individuals who actdually spearheaded a force critical of Ozawa in the former Shinseito such as former Transportation Minister Keiwa Okuda and former Defense Agency Director General Kazuo Aichi, has caused some sources to predict that Hata will face the future fate of a Takamori Saigo. However, there is no mistaking the fact that Hata with party leader and prime minister experience remains the most strongest candidate to replace Kaifu in the future. Presently, Hata should avoid nonsensical intraparty bickering and as a virtual acting party leader extend wideranging support to the Kaifu-Ozawa organization. If the emotional split between Hata and Ozawa should deepen further, not inconceivable is the worst scenario wherein elements critical of Ozawa will make a mass exodus from the NFP. In any event, if the NFP undergoes further turmoil, it will be a situation which would be welcomed by the LDP. If the situation were to be taken advantage of by the Takeshita group and result in a sudden disintegration, the NFP will probably fail to organize an effective election team and face destructive defeat. According to junior Diet members of the NFP, what the NFP requires at this time is for the party to unify and invest all of its resources on regaining government power.

The political reorganization which was initiated in July 1994 just entered its second stage with the birth of the NFP. Whether we speak of the constitutional issue or international contributions, considerable conflicts still exist within the ruling and opposition parties as matters of doctrine and policy. It is felt that baptisms following two or three more elections will reflect further progress in political restructuring and that a two- or three-major party system will become a permanent fixture. The mixture of political parties to comprise coalition governments will probably become increasingly diversified, while a tumultuous political age will require politicians playing a key role to be ever vigilant.

* Transport Minister Kamei on Political Parties

952B0093A Tokyo SHUKAN POSUTO in Japanese 23 Dec 94 p 54

[Unattributed article: "'Kubo Is Now as Good as Confined in a Room'—Transport Minister Kamei's Off-the-Record Remarks on 'New Democratic League'"]

[FBIS Translated Text] Regarding himself as, "factionally, the combatant" of the coalition government among the Liberal Democratic Party [LDP], the Social Democratic Party of Japan [SDPJ], and Sakigake [Harbinger], Transport Minister Shizuka Kamei has taken the lead in attacking opposition parties on issues such as the union of religion and politics seen in Komeito and Soka Gakkai. For some time past, he continued to express his irritation at "activities to build a new party" by the New Democratic League [Shinminren] (chairman: Sadao Yamahana) within the SDPJ and the party's secretary general, Wataru Kubo, saying that "they are in collusion with Ichiro Ozawa." However, on 24 November, at the "Broadcasters' Roundtable Political Discussion," a meeting with those concerned with television stations, speaking off the record, he abruptly made the following bullish remarks, perhaps because he thought that these activities "pose no threat any longer":

"Nosaka (Construction Minister Koken Nosaka) is the overall control tower for containing the New Democratic League, and both Nosaka and Prime Minister Murayama have strong self-confidence in this regard. The game is already over.

"Kubo is now as good as confined in a 'room.' The SDPJ has avoided its split and is moving toward 'a new party with an all-party effort.' This is a happy development for Kubo as well. He can save his face without leaving the party simply by stating at the January party convention that 'we will aim to form a new party.' Only several hardliners will go to the side of Ozawa.

"With such many cabinet members produced from it, the SDPJ is as good as riding in the 'Green Car [Japanese Railways' first-class carriage] bound for 'Nirvana.' No one is foolish enough to jump off the car at a platform where a cold wintry wind rages.

"Banri Umieda (Democratic New Party Club), though sympathizing with Shinminren, will not marry it after all. The club is likened to an artiste who tries to become popular by intentionally letting a photojournal snap a scene of his or her dating in the dead of night. In Sakigake, too, there are those guys who are moving together with Shinminren. However, they already know that Shinminren cannot leave the party after all."

Moreover, he says as follows with regard to the Diet dissolution and the general election:

"If the Diet is dissolved at this point, the LDP will have its one-party government. However, the LDP cannot allow itself to be so heartless as to use the SDPJ and Sakigake only once and then throw them away. It is thinking of carrying out the adjustment of candidates and their orderly allotment to constituencies far later.

"Ozawa has been defeated in the fight. If the election is conducted, the New Frontier Party [Shinshinto] will be unable to win 100 seats including proportional representation seats, will it not? The small constituency system is favorable for large parties holding power. Ozawa will perish by the system he made."

Finally, he concluded his remarks by criticizing Soka Gakkai. He said:

"Daisaku Ikeda (Soka Gakkai's honorary chairman) may be described as a 'military priest' aboard a tram destined for hell. If he does not like to be in such a condition, he must clearly show with his attitude that he would like to come to our side."

His easy and carefree position as one on the side of the ruling camp may have enabled him to make these remarks, but the fact that a cabinet member dared to make such arrogant and haughty utterances tells of the levels of politicians in this country.

Power Struggle Among Ruling Parties Observed

OW2302095295 Tokyo SANKEI SHIMBUN in Japanese 21 Feb 95 Morning Edition p 3

[From the "Horizontal and Vertical" column: "A Rift and Power Struggle Among the Ruling Parties Over the Prime Minister's Post After Murayama"]

[FBIS Translated Text] A power struggle has been emerging in the ruling coalition, in which "discord" between the Liberal Democratic Party [LDP] and Sakigake [Harbinger] has become more vivid, but the Social Democratic Party of Japan [SDPJ] has done nothing but observe their rift. Following the great Hanshin earthquake, the approval rating for the government of Prime Minister Tomiichi Murayama has declined, although Murayama has stressed: "The government can fulfill its responsibilities by implementing adequate rehabilitation measures." There is also the view that "the Murayama cabinet may resign at any time" (as stated by an LDP source). Such a view adds fuel to the power struggle for the prime minister's post after Murayama.

LDP Hopes To Produce Own Prime Minister

The LDP leadership has not changed its official stand that "the LDP will support Prime Minister Murayama before and after the House of Councillors elections." But because the party has failed to produce its own prime minister since the Hosokawa government, it has begun to desire to hold the premiership in the government after the Murayama administration (according to an LDP source). It has been often said that Deputy Prime Minister and Foreign Minister Yohei Kono (LDP president), LDP Vice President Keizo Obuchi, and International Trade and Industry Minister Ryutaro Hashimoto will be candidates to succeed Murayama as prime minister. However, nobody knows "whether or not the LDP-SDPJ alliance will be maintained under an LDP-led government" (according to a senior LDP official).

The LDP's attempt to grab the prime minister's post in the next government is seen in its offensive against Sakigake over issues concerning: 1) The abolition and consolidation of government- affiliated financial institutions; and 2) rescue measures for the Anzen Credit Union and the Tokyo Kyowa Credit Union and the establishment of the Tokyo Kyodo Bank [as a measure to rescue these two failed credit unions].

At a meeting of the heads of the three ruling parties on the night of 15 February, Kono reportedly told Finance Minister Masayoshi Takemura (Sakigake representative): "You have only two alternatives. You have to carry out (the merger of publicly-funded financial institutions, including the Export-Import Bank of Japan), or resign (as finance minister)." Takemura fired back: "The issue has to do with the government's official development assistance (ODA) program. The Foreign Ministry will not agree to the merger plan." Confronting Takemura, Kono said: "I will have the ministry agree to it." Meanwhile, Hashimoto and Home Affairs Minister Hiromu Nonaka objected to a plan to establish the Tokyo Kyodo Bank. As minister in charge, Takemura explained to them the reason for establishing the bank, but it was a far-fetched explanation.

Behind the LDP's offensive against Takemura lies the fact that some people, including some LDP members, think "Takemura will possibly succeed Murayama as prime minister," thus "the LDP hopes to reduce this possibility as much as possible." Moreover, because Sakigake has repeatedly made independent remarks on administrative reform and other issues, the LDP has increased its opposition to the party. Taking into consideration the forthcoming unified local elections and House of Councillors elections, the LDP has said: "We will not allow Saigake alone to boost its image."

Sakigake Abandons Role as Bridge Between the LDP and the SDPJ

On 14 February, the day after Takemura and SDPJ Secretary General Wataru Kubo agreed to set up a SDPJ-Sakigake joint policy study body, a senior Sakigake official said: "The LDP has had policies and a staff with which it can administer national politics on its own. Thus, it is necessary for the SDPJ and Sakigake to strengthen their alliance in the coalition government."

While the LDP has increasingly become critical of Sakigake, Sakigake has abandoned its role as a "bridge" between the LDP and the SDPJ. The party is now interested in strengthening its alliance with the SDPJ through such means as establishing a unified parliamentary group with the party, and in taking the leadership in the ruling coalition.

Behind this appears to be Sakigake's thinking that "because the dissolution of the House of Representatives for a general election will take place under the next government, we have to maintain a sufficient presence."

Nevertheless, Sakigake drew criticism from both the LDP and the SDPJ over the issue of merging government-affiliated financial institutions and its support of Masayasu Kitagawa, a lower house member from the opposition New Frontier Party, in the recent Mie gubernatorial election. At a meeting on 15 February, Takemura, LDP Secretary General Yoshiro Mori, and LDP Policy Research Council Chairman Koichi Kato agreed that "there are no bad feelings now," (according to a senior Sakigake official). However, because "the LDP and the SDPJ still can hold a majority of seats in both houses of the Diet even without Sakigake," some have begun to worry that "Sakigake might be ousted from the coalition government."

The SDPJ Likely To Continue To Do Nothing But Watch

The SDPJ leadership intends to strengthen ties with Sakigake to reinforce the foundation of the Murayama government. However, some members are worried that "the SDPJ might be absorbed into Sakigake," (according to a middle-ranking SDPJ member).

During the SDPJ Central Executive Committee meeting on 16 February, Secretary General Kubo criticized Takemura, saying: "I urged him to reach a conclusion at an early date on the issue of merging government-affiliated financial institutions. Because the finance minister showed reluctance, I eventually asked him to do so 'by the end of the current Diet session.' However, he later met with LDP members, and they agreed to reach a conclusion 'by the end of the year.'" Kubo's outspoken criticism of Takemura is a reflection of the SDPJ's sense of caution against Sakigake.

The SDPJ failed to demonstrate the importance of its existence in the recent review of government-affiliated financial institutions. Because of this, it plans to set up, as a rollback measure, its own special project team to study the issue of merging publicly-funded financial institutions. However, the party has had no specific measures to resolve the question. Thus, it is likely that the SDPJ will continue to do nothing but just watch the development of the issue.

Mandatory Audits Considered for Credit Unions

OW2302124495 Tokyo KYODO in English 1130 GMT 23 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 23 KYODO—The government is considering requiring credit unions to accept regular auditing of their lending activities by certified public accountants to prevent such loan scandals as that involving Tokyo Kyowa Credit Association and Anzen Credit Bank, officials said Thursday [23 February].

The Finance Ministry is alarmed at reports that many credit unions across Japan are facing similar mountains of bad loans as a result of aggressive lending to real estate developers and others during the speculative "bubble" years of the late 1980s, ministry officials said.

The ministry is also considering amending the Deposit Insurance Law and other relevant laws to empower the quasi-governmental Deposit Insurance Corp. to inspect the financial records of credit unions, the officials said.

Such strengthening of the hands of the Deposit Insurance Corp. would make up for the inadequacy of current supervisory mechanisms which limit the powers of inspection to municipal governments such as the Tokyo Metropolitan Government, they said.

The ministry is also considering the wisdom of legally banning members of credit union boards of directors from concurrently assuming posts at other companies that could benefit from loans from their credit unions, they said.

According to documents submitted to a parliamentary panel on Feb. 15 by the two credit unions involved in the current scandal, the pair lent a total of 126.2 billion yen to groups of companies led by the former president of Tokyo Kyowa, Harunori Takahashi, and the former president of Anzen Credit Bank, Shinsuke Suzuki.

The documents showed that Tokyo Kyowa is now buried under 82.8 billion yen in bad loans, topped by 94.1 billion yen by Anzen, clear indicators of the slipshod management that drew the belated attention of the Tokyo Metropolitan Government.

After weeks of evaluation, the ministry handed down the conclusion that the supervising ability of municipal governments is insufficient to detect mismanagement before such problems spin out of control, they said.

The ministry is also considering requiring credit unions to publicly disclose lending information in view of the Tokyo Kyowa-Anzen scandal, the rescue of which will require tens of billions of yen in taxpayers' money, they said.

So far, credit unions have been required to disclose their business information only to associate members due to loose interpretations that credit unions are only responsible to such members.

However, the ministry has decided to seek stricter interpretations of their responsibility since the shoddy management of the Tokyo Kyowa and Anzen Credit Unions have spawned the need to bail them out with taxpayers' money, they said.

The ministry's Banking Bureau Director Yoshimasa Nishimura said the pair "has caused a great annoyance to the public."

The ministry will soon ask the Financial System Research Committee, an advisory panel to the finance minister, to consider the propriety of implementing or legislating these proposals before initiating legislative procedures, they said.

The ministry plans to put these proposals together as a package by this autumn, while preparing legislative bills for submission to the Diet, they added.

Nippon Trust Bank Rescue Process Discussed

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[Article by Shinichiro Suda: "The Day a Bank Declares Bankruptcy: Top Secret Process of Bank Restructuring Based on the Nippon Trust Model"]

[FBIS Translated Excerpt] [Passage omitted] When one pursues the events leading up to the decision to make Nippon Trust Bank a subsidiary of Mitsubishi Bank, he can get a clear picture of the severity of the crisis currently facing the banking industry, the proximity of a financial system collapse, and the efforts about to be undertaken by the Ministry of Finance [MOF].

Branded as "Ineligible for Independent Restructuring"

On 13 April 1994, the MOF Minister's Secretariat Financial Inspection Department made preparations and launched a timely joint MOF audit and inspection of the loan and foreign currency operations of the Nippon Trust Bank.

The MOF audit will have been conducted exactly three years from the last audit. MOF audits are normally conducted once every two or three years and it appeared that the recent MOF audit was conducted in the format of a regularly scheduled audit, but an MOF official states, "Actually, the audit was conducted as a long-term investigation. The MOF took special pains to make it look like a routine audit."

Ultimately, the MOF audit of Nippon Trust Bank was converted into a "formal audit" immediately after the holiday season in May and was finally completed in the first part of June.

The MOF revealed the results of the audit to the Nippon Trust Bank at the end of September. And, ostensibly, based the audit results, the MOF resigned itself to the fact that the Nippon Trust Bank would not be able to restructure itself independently. However, that was no more than a statement of principle.

The Nippon Trust Bank effected unprecedented top personnel changes in June in the midst of the MOF audit. They involved the resignation of President Masaaki Baba who was replaced by Mitsubishi Bank director Tomoaki Hirano, but according to a Mitsubishi Bank officer, "The significance of this top management reshuffle is that it involved the Chairman Kinichiro Shimada and President Baba's resignation to assume responsibility for Nippon Trust Bank problems and laid the groundwork for making Nippon Trust Bank a subsidiary of Mitsubishi Bank.

The Mitsubishi Bank had placed officers such as the president and managing directors in the Nippon Trust Bank, but it had also placed several operating specialists in the bank on a loan basis. The analysis produced by this group resulted in the top management reshuffle. A Mitsubishi Bank official comments, "Ever since the revision of the Banking Law in 1992, this bank's Business Development Department's Product Planning Group trust operations team has been involved in research on trust banking and trust operations. The two individuals loaned to Nippon Trust Bank in February 1994 were members of the Business Development Department. One of the two was also engaged in the development of the restructuring plan for Nippon Trust Bank."

In other words, making Nippon Trust Bank a subsidiary of Mitsubishi was a foregone conclusion when the MOF audit was launched in April.

Moreover, detailed earnings reports of the trust banking industry including Nippon Trust Bank for the year ending September 1994 were to become available on 25 November.

There was a need for the MOF to solidify its "restructuring plan" for Nippon Trust Bank by that date. It was a case where they could not very well afford to wait until the results of the end of September MOF audit review became available.

Bank of Japan sources say, "Originally, plans were to make a formal decision on the Mitsubishi Bank-Nippon Trust Bank affiliation in the latter part of August or in the first part of September. However, excessive leakage of information from the MOF and the Mitsubishi Bank to the mass media caused several delays."

Actually, Mitsubishi Bank had been looking for a press conference site as soon as August arrived. Initially, it was Mitsubishi Bank's intention to use a hotel, but absence of a firm date resulted in designating Mitsubishi Bank headquarters as the press conference site.

The MOF Banking Bureau indicated that it would approve the subsidiary approach for Nippon Trust Bank on 7 October, and the official announcement was scheduled for 17 October. However, one more problem arose in the final stage. It consisted of the fact that NIHON KEIZAI SHIMBUN scooped the "Decision to Create a Subsidiary" in its morning edition of the 12th. This scoop caused a rapid acceleration of the situation. As if in anticipation of the article in NIHON KEIZAI SHIMBUN, the MOF issued an operations improvement directive based on Section 26 of the Banking Law and Section 4 of the Combined Trust Operations Law to the Nippon Trust Bank.

Section 26 of the Banking Law provides, "When the Minister of Finance determines the necessity, in view of the operating or asset condition of a bank, he may direct the bank concerned to suspend all or part of its operations, to transfer custody of its assets, or to take any other necessary action." This operations improvement directive formally branded the Nippon Trust Bank as "not eligible for independent restructuring."

On the other hand, Mitsubishi Bank responded to the formal decision on the 7th by entering into a countdown towards a public announcement. Complete preparations were made according to Mitsubishi Bank officials, who reveal, "So that a press conference could be held at the point the decision became news after the 7th, the personnel who were engaged in the subsidiary plan did not go home between the evening of the 11th until the day of announcement and stayed at a hotel in downtown Tokyo." However, even the "stay at the hotel" was scooped by NIHON KEIZAI SHIMBUN and remained in effect for only one day, but the drama of rescuing Nippon Trust Bank unfolded just as everyone expected, but ahead of the anticipated schedule.

Special Circumstances of the Nippon Trust Bank

Even though that may have been the case, no other bank rescue drama has unfolded in the past with so much public attention focused on the sequence of events. There were signs that the MOF unreservedly publicized the details of the case in an attempt to widely inform the public of the crisis faced by the financial system.

Let us review the impact this one case has had on the banking industry.

First, we can mention that the measures taken enabled avoidance of damage to the credit system based on the management failure of the Nippon Trust Bank. Second, the Nippon Trust Bank case served as a launching pad for expediting financial system reform.

According to facts released at the press conference of the 12th, the publicly disclosed portion of bad loans held by Nippon Trust Bank as of the end of September was 230 billion yen. The figure rose 100 billion yen in half a year because the bad loan figure as of the end of March was 130 billion yen. Moreover, of the 230 billion yen outstanding, bad loans requiring write off in the short term reached a figure of 200 billion yen.

On the other hand, the operating net profit of the bank in the area of its basic operations for the year stood at 3.5 billion yen as of the end of March. In essence, if an attempt were made to offset the 200 billion yen in bad loans with the bank's annual profits, a simple calculation indicates it would take 57 years. In other words, it would be virtually impossible to write off bad loans by offsetting them with annual profits.

Now, the question is, would the bank be able to amortize bad loans by using profits realized from the sale of assets such as real estate and securities that it owns? If we were to go direct to the conclusion, the answer would be "No."

As of the end of March 1994, the unrealized profits of the bank's securities holdings totalled only 25.1 billion yen. Unrealized profits on real estate, according to MOF officials, were, "Minuscule because they have very few company-owned branch buildings."

Moreover, gross profits declined in the first half of the 1994 accounting year (April to September) and net operating results for the period is expected to show a loss of 500 million yen.

Those circumstances forced President Hirano to state at a press conference, "Even if this bank were to make additional cuts in expenditures based on increased efficiencies and cost reductions, our profit situation is not strong enough to amortize bad loans, thus making independent restructuring extremely difficult and leading us to the judgment that use of external aid is the only remaining way for this bank to survive."

Hirano uses the expressions "independent restructuring is difficult" and "use of external aid," but, simply stated, they are an admission that he chose to be rescued because, left unaided, the bank would have failed. The "core" of the Japanese banking industry consists of a total of 21 banks represented by city banks, long-term credit banks, and trust banks. Hirano's statement signals the collapse of one segment of the 21 banks because of bad loans.

Among examples of virtual bankruptcies, there were Toyo Credit Association and Kamaishi Credit Association, and this time, albeit the smallest, it is a trust bank. We are speaking of a different magnitude. Normally, at the stage where the operating woes of Nippon Trust Bank were even partially made known to the public, it would not have been strange for the financial credit systems to undergo major turbulence.

However, in reality, that did not happen. The question is, why?

The special circumstances surrounding Nippon Trust Bank may have had a major effect on the situation. The Nippon Trust Bank has for some time enjoyed the all-out support of Mitsubishi Bank, which is conspicuously sound even among city banks.

Employee relationships between Mitsubishi and Nippon Trust are as already mentioned, but Mitsubishi has been loaning personnel to Nippon Trust Bank for nearly 30 years since 1965 for the purpose of strengthening ties between the two institutions. [passage omitted]

Delicate Position of the Federation of Bankers' Associations of Japan

To begin with, the series of issues concerning the Nippon Trust Bank involve the basic question of "How to interpret financial system reform."

In the past, development of the Japanese financial system has been characterized by specialization. In other words, securities operations were handled exclusively by securities firms and trust operations were handled by trust banks (with the exception of Daiwa Bank).

However, the trend towards financial system reform led to the passage in June 1992 of the Financial System Reform Law which provided for improvements in laws concerning reform of the financial system and the securities trading system and basically provided that financial institutions can operate in both banking and securities industries by establishing subsidiaries for each sector.

However, although the Financial System Reform Law provides that normal banks such as city banks can establish subsidiaries and engage in trust operations, they are not authorized to engage in the full range of trust operations. Specifically, city bank subsidiaries are not authorized to handle 1) loan trusts, 2) annuity trusts, 3) jointly managed designated money trusts, 4) special money trusts, and 5) separately managed designated money trusts.

"As indicated, this means the attractive aspects of trust operations or those aspects which hold promise of profitability such as annuity trusts are not authorized in any way," is a comment made by an officer of a leading city bank.

The question is, how did it turn out this way? According to sources at the MOF Banking Bureau, it is because "a confrontation of interests arose between city banks and long-term credit banks, which are positive about system reform, and trust banks, which are negative toward reform. For some time, the trust banking industry has taken a "Monroe Doctrine-type" stance under which it does not desire to move into other business sectors, while it does everything it can to prevent the entry of other industries into trust operations." In reality, if one views the details of the reform law, he will note that extensive consideration was given to the trust bank industry.

However, in the recent case, Mitsubishi Bank received approval for full trust operations, as an exception, in making Nippon Trust Bank a subsidiary. It was because of the exception that it came to the decision to invest close to 200 billion yen.

However, the trust banking industry is violently opposed to the "exception."

"We understand that the recent disposition was an exception placing highest priority on the maintenance of financial order and we view it as an action that will have no effect whatsoever on the implementation of future financial system reform including any change in the operational scope of trust bank subsidiaries," are the words of Toyo Trust Bank President Nobumichi Takeuchi who serves as chairman of the Trust Companies Association of Japan. Further, the MOF has positioned the actions taken in relation to Nippon Trust as an unavoidable "exception" to rescue the bank.

Councillor Atsushi Nagano in charge of the Banking Bureau of the MOF made the following statement in the 24 October edition of the KINYU ZAISEI JIJO, "This case wherein unavoidable measures were approved to assist an existing trust bank and the establishment of new trust bank subsidiaries in accordance with the goals of financial system reform are two different topics and I believe variances in the operational scope of the two different kinds of trust bank subsidiaries is not an issue. The recent 'exception' will have no bearing on the speed or delay in financial system reform, including the operational scope of new subsidiaries."

However, the banking industry especially the city banks, contrarily, did not consider the recent decision an "exception."

An officer in charge of the planning department at a leading city bank states, "To begin with, at the stage following implementation of the Financial System Reform Law, the MOF approached the city banks and said, 'In issuing approvals for the establishment of subsidiaries specializing in specific financial sectors, approval will not be issued to a city bank for both trust and securities subsidiaries at the same time. For the time being, approvals for subsidiaries will be issued for one of the two specialties.'"

Accordingly, the series of events lead to city banks' decision to give priority to the establishment of securities subsidiaries. Next, it appears that, at the earliest, it will be after the next fiscal year that moves will be made to establish trust subsidiaries.

The same leading city bank planning department officer adds, "Such circumstances attach major significance to the fact that Mitsubishi Bank made Nippon Trust Bank a subsidiary. The fact that only one bank gave priority to the establishment of a trust subsidiary with full-scale trust operations sticks out conspicuously no matter how you view the situation. We plan on petitioning the MOF for equal treatment for the rest of the industry."

Moreover, such comments are not necessarily in the minority. They reflect the true sentiments of the majority of leading city banks exclusive of Mitsubishi Bank.

Thus, that puts the Federation of Bankers' Associations of Japan [Zenginkyo] which has members who are trust banks and city banks in a delicate position. Current Zenginkyo chairman and Sumitomo Bank President Toshio Morikawa states, "I have nothing to say on the question of whether making the Nippon Trust Bank a subsidiary will have an effect on financial system reform, but apparently this one case was an exception taken to dispose of an unprecedented situation. However, even though the case is so considered, there is no denying that it will represent the format for final financial system reform. In other words, banks which do not specialize in trust operations will own trust bank subsidiaries which engage in the full range of operations, cause appropriate competition to take place, and contribute to providing services to users, thus fulfilling the purpose of financial system reform and, in that sense, providing for a final format for financial system reform. However, we could say there is some question from a procedural perspective as to how the industry will get to that point."

The foregoing words are of profound significance. Even if there is some question from a procedural perspective, in the final analysis, the recent case concretely established the "final format for financial system reform."

In other words, as a minimum, city bank circles would like to have the recent case treated not as an exception, but used as a precedent for future application. The question, of course, remains, will "exceptions" be made in the future?

In reality, Nippon Trust Bank is not the first failed financial institution that was rescued by a company operating in a different sector of the financial industry. In September 1993, Cosmos Securities was taken over as a subsidiary by Daiwa Bank when the former faced bankruptcy. Even MOF officials admit, "If 'exceptions' are made twice in one year, the exceptions become routine occurrences."

Former Conglomerates Must Also Pay for Bubble

I have a piece of intriguing information.

The original document conceivably comprised several tens of pages, but this writer obtained a copy of only a portion of the total document. The paper was written by a bureaucrat of the MOF Banking Bureau and is supposed to be an internal study document.

In summary, the document contained a "List of Troubled Financial Institutions." The list contains the names of banks with bad loans in such volume that amortization has been rendered difficult. An analysis of the list indicates that the future awaits a "number of institutions where even if there is a reluctance to make 'exceptions,' there will be no choice but to do so." To make a long story short, we must admit that the near future will produce second and third "Nippon Trust Bank" situations.

The writer will go through the extract document in explaining the situation.

The list includes a total of 21 banks including city banks, long-term credit banks, and trust banks. The list includes information on the genuine bad loans as well as extent of potentially feasible amortization.

Broadly classified, the bad loans held by the banks fall into the two categories of publicly disclosed and publicly undisclosed bad loans. [passage omitted]

When the extract document refers to bad loans, it refers to the total of both publicly disclosed and publicly undisclosed bad loans. It goes on to simulate the degree to which these bad loans are irrecoverable.

Normally, bank loans are collateralized by some kind of security such as real estate to avoid risk. Thus, arriving at the unrecoverable figure requires the deduction of the amount that can be covered by collateral.

The extract document reflects a "collateral coverage rate" of 50 percent. Subtracting what is covered by collateral and loan reserves from the overall bad loan figure brings one to the "real bad loans" covered in the extract document. In other words we are speaking of bad loans that are virtually irrecoverable.

Now, the question is, to what degree are these "real bad loan" figures realistic? The key to the answer rests with the weight placed on the collateral coverage rate of 50 percent. A check with several leading city bank officers led to some variations, but the consensus that "50 percent" was an optimistic figure. In other words, realistically, collateral coverage fell below 50 percent and the real bad loan figure would increase. The real bad loan figures carried in the extract document are set at the minimally anticipated levels.

Next, the question is, just how are the banks going to amortize the real bad loans. The first conceivable step would be to use annual profits. However, profits vary depending on the economic situation and are extremely fluid. Accordingly, using future potential profits as a source of funds to amortize real bad loans is extremely risky.

In other words, we cannot avoid considering asset appreciation as a source of funds for amortization such as paper profits on securities and real estate holdings. The degree to which asset appreciation can cover real bad loans is a measure of the soundness of a bank's operations. When a bank's real bad loans exceed asset appreciation, the bank suffers from a "liability excess" and essentially faces bankruptcy. In this connection, we should mention that Nippon Trust Bank fell into a "liability excess" position at the September 1994 midyear accounting period.

However, we speak of asset appreciation in a mouthful, but the underlying profits cannot be realized unless the assets are sold. If we were to list assets according to their liquidity, they would be listed as follows: 1) paper profits of securities, 2) paper profits on real estate, 3) surplus funds and bad loan reserves, 4) reserves, and 5) capital.

As indicated, the extract document contained data which considered in detail the question of whether or not real bad loans could be amortized with profits from appreciated assets.

A leading bank executive states, "We have heard that the MOF has been making test calculations of that nature to measure the soundness of financial institutions and we ourselves are using similar procedures to check our own banks."

This comment is extremely interesting. It recognizes the fact that these test calculations are effective in judging bank conditions. Further, the bank official stated that the method was not used to measure the financial conditions of other banks.

Actually, data covered in the extract document were compiled from publicly available figures. The only figures not publicly available are the very important "publicly undisclosed bad loans."

In other words, even though this method of evaluation is broadly known, it can be applied only to one's own bank and cannot be used to measure the soundness of other banks.

However, the extract document prepared informally by the MOF Banking Bureau lists both publicly disclosed and publicly undisclosed bad loans of all 21 banks, providing obvious data on the soundness of each bank.

Currently, the 21 city banks, long-term credit banks, and trust banks are amortizing their bad loan holdings by charging them off against operating net profit and selling off and taking profits on securities. However, the extract document lists two banks which are amortizing real bad loans by resorting to the disposal of real estate to take profits in such holdings, because taking profits on securities alone is insufficient.

The two banks include the Hokkaido Takushoku Bank and Nippon Securities Trust Bank.

And, that isn't the whole story. There are three banks which cannot amortize real bad loans unless they go one step further and dip into surpluses and bad loan reserves.

They are all trust banks and include Nippon Trust Bank, Chuo Trust Bank, and Yasuda Trust Bank. Among them, Nippon Trust Bank was able to overcome its difficulties as previously stated by becoming a subsidiary of the Mitsubishi Bank. However, the other two banks are facing the same crisis as that which was faced by Nippon Trust Bank.

Nippon Trust and Chuo Trust are lower ranking in the trust banking industry and their difficulties in the post-bubble-collapse period is understandable. However, Yasuda Trust is a prestigious bank connected with the former zaibatsu. The ill effects of the bubble have also impacted on former zaibatsu banks.

In response for comments on the test calculations, Researcher Saito of the Yasuda Trust Bank Public Relations Office insisted on sticking to a position of no comment, in saying, "We cannot comment on such matters." However, overseas rating organizations are aware of the informal test calculation figures developed by the MOF Banking Bureau.

As of the end of September 1994, six banks were rated by Moody's as Baa2, the lowest rating possible meaning that difficulties will be faced in raising funds in a foreign market. The six include Hokkaido Takushoku Bank, Nippon Securities Bank, Mitsui Trust, Yasuda Trust, Chuo Trust, and Nippon Trust. Aside from Mitsui Trust, they have all been previously mentioned in this article.

Time for Action on Home Loan Companies

Now, the question is, are the trust banks in real trouble?

If the question is, is there a possibility of future problems of the type that recently hit Nippon Trust? the answer is "There is plenty of potential for that to be the case." Sources at the MOF Banking Bureau assert, "If problems of a similar nature erupt, they will most probably be triggered by the home loan companies."

Home loan companies are basically nonbanking institutions that specialize in home loans and during the height of the bubble, they sharply increased loans to firms engaged in bubble-related real estate and construction projects and many rapidly faced bankruptcy owing to the collapse of the bubble economy.

Thus, a reconstruction plan for seven bank-affiliated home loan companies was approved in February 1994 and has been launched for implementation over a period of 10 years. Institutions which had made large loans to the home loan companies included three long-term industrial banks and seven trust banks.

A list of loans outstanding to the seven home loan companies as of the end of March 1994 expressed in billions of yen would look like the following:

Industrial Bank of Japan—687.5; Long-Term Credit Bank of Japan—483.5; Nippon Securities Bank—355.3; Mitsubishi Trust and Banking—519.6; Sumitomo Trust and Banking—514.9; Mitsui Trust and Banking—351.2; Yasuda Trust and Banking—393.7; Toyo Trust and Banking—234.5; Chuo Trust and Banking—126.2; and Nippon Trust Bank—47.5.

The home loan company reconstruction plan provides for an extended repayment period of 10 years and reductions and exemptions for payment of interest. Reduced and exempt interest payment decisions depend on the institution serving as lead banker at the time the loan was initially issued and is set at zero percent for loans make by parent banks to a subsidiary home loan company, 4.5 percent by Norinchukin [Central Bank for Agriculture and Forestry]-affiliated financial institutions and 2.5 percent by other financial institutions. In this connection, reasons why the interest rate charged by the Norinchukin-affiliated financial institution interest rate is higher will be explained in detail later in this article, but basically the reason was that the Norinchukin-affiliated financial institutions face a crisis and had difficulty in accommodating the request for reduced or exempt interest payments.

Accordingly, loans outstanding with home loan companies are considered "loans with reduced or exempt interest payments" and are not publicly disclosed as they are counted as part of publicly undisclosed loans. However, these loans to home loan companies are an extremely heavy burden on the trust banks.

An official at a leading trust bank states, "Interest on loans made by trust banks to home loan companies average from 1.1 percent to 1.6 percent, but cost of capital is running at about 2.0 percent plus, which translates into a loss."

As an example, the average interest rate applicable to loans issued to home loan companies at Yasuda Trust and Banking is about 1.5 percent. In contrast, the earnings report for March 1994 shows that interest paid on deposits is 2.0 percent. The adverse spread is about 0.5 percent which means that the banks' loans to home loan companies totalling 384.7 billion yen create an annual loss of about 1.9 billion yen. To make matters worse, such loans outstanding with home loan companies carry fixed interest rates up to the year 2003.

Currently, we are in a period when the official discount rate is at an ultra-low 1.75 percent and capital costs or deposit interest rates are the lowest. They will rise consistently in the future and assuming they rise 2.0 percent, Yasuda Trust and Banking Company would incur an annual loss of about 10 billion yen.

In the year ending March 1994, Yasuda Trust and Banking Company recorded net operating earnings of about 44.7 billion yen, which would mean that it would lose one-fourth of its net operating earnings under the preceding assumption.

Moreover, deposit interest rates do not reflect figures for loan trusts which are the principal product via which trust banks procure deposits which means that apparent interest rates are lower than actual costs and that losses incurred will be substantially higher.

Will Government Funds Play a Role?

Thus, there is the possibility, as stated by an executive of a leading city bank, that in addition to the fact that home loan companies are having a substantially depressing effect on the operations of trust banks in the manner stated above, "There is the fear that around the end of March of next year, we will see the surfacing of operating crises at several home loan companies."

Home loan companies which face the potential of operating crises include Daiichi Home Financial Company and Sogo Home Finance Company.

A home loan company loan specialist at a leading city bank states, "The reason for the foregoing potential is that repayment of principal on loans from Norinchukin-affiliated financial institutions are concentrated at the end of March of next year. The figures stand at 35 billion yen for Daiichi Home Loan Company and 60.6 billion yen for Sogo Home Loan Company, and they hardly have the capability to make the repayments."

However, such circumstances do not mean there is hope the Norinchukin-affiliated financial institutions will defer repayment requirements. The view is the institutions will inevitably press hard for repayment.

Actually, the home loan company crisis had already surfaced when the March 1994 earnings reports were released. The reason is that trust bank-affiliated Juso and regional bank Seiho Home Loan Company had fallen into excess liability positions. Further, earnings reports for the March 1995 year are expected to force second regional bank-affiliated Sogo Home Loan Company and city bank-affiliated Jutaku Loan Service Company into an excess liability situation, resulting in the possibility of six of seven home loan companies being thrust into an operating crises situation.

A leading city bank home loan company specialist states, "If these were average business firms, they would have certainly gone bankrupt, but home loan companies can survive as long as there is a steady cash flow. A substantial portion of their loans are irrecoverable, but loans to blue chip borrowers exist from which repayments are received, while repayment of principal has been waived, creating some cash on hand. Thus, it is very unusual to fall into an operating-fund shortage situation."

"However," comments an MOF official, "Such conditions will probably last only to the end of this fiscal year. Now that the Nippon Trust Bank issue is out of the way, it is time to take action on the home loan companies."

However, the home loan company issue involves circumstances complicated to a degree in excess of those surrounding the Nippon Trust Company problem.

An MOF official reveals, "In reality, there is a so-called 'Teramura secret agreement' between the MOF and the Ministry of Agriculture, Forestry, and Fisheries [MAFF]."

The "Teramura secret agreement" is said to be an agreement made between former Banking Bureau Director General Nobuyuki Teramura and the MAFF and, according to the last quoted MOF official, it stipulates: 1) Loans made by Norinchukin-affiliated financial institutions to home loan companies will not be considered as being firmly fixed at 4.5 percent, but will be revised during periods of rising interest rates; and 2) Principal on loans made by Norinchukin-affiliated financial institutions to home loan companies will be guaranteed to assure repayment.

The existence of the foregoing agreement has resulted in giving priority to repayment to Norinchukin-affiliated financial institutions and a loss for trust banks.

However, the existence of this secret agreement was entirely unknown. Even Sanwa Bank which played a major role in the development of the home loan company reconstruction plan admits, "We know nothing about the agreement." An official of the MOF admits, "The secret agreement has distorted and compounded the home loan company problem. The resolution of this problem must begin with elimination of the distortion."

In any event, the MOF faces the situation in which it will have to develop a "new home loan company reconstruction plan" by the March 1995 fiscal year end period. However, a leading city bank executive states, "It will probably be asking for too much even in the case of parent banks" to impose additional responsibilities on the banking industry.

However, past experience indicates it will be difficult to extract additional significant concessions from Norinchukin-affiliated financial institutions.

In any event, it is possible to devise some sort of makeshift plan to repay principal to the Norinchukin-affiliated financial institutions and postpone final action on the home loan company problem. However, there is no guarantee whatsoever that the aforementioned trust banks can survive if and when the industry faces a rising interest rate situation.

Now the question is, how can we resolve the home loan company problem while avoiding the collapse of the financial system?

An MOF official comments, "Unlike the past, there is an attitude in the Banking Bureau calling for positive action relative to problem solution." Now that the situation is driven by necessity, it has come to the point where the banking industry and the MOF say that there is no choice but to accomplish an extraordinary feat.

The answer is, the deployment of government funds.

Anyone in the industry is aware that as Chairman Morikawa of the Federation of Bankers' Associations of Japan explains, "The issue of disposing of bad loans in both the home loan company and banking sectors should be handled under the self-accountability of financial institutions and use of public funds should not be anticipated," but he adds, "If the situation is allowed to follow its natural course, we'll encounter not another Nippon Trust Bank-like situation, but a bank failure."

However, the question is, can we use public taxes for the great cause of "maintaining the credit system?" The financial industry once underwent the bitter experience of failing in an attempt to obtain public funding in the establishment of a land purchasing system. However, in contrast to that time, the financial world currently faces an increasingly worsening environment...

The banking industry is confused in the face of eerie silence as the question remains, how far will the MOF venture in its decisions?

Midterm Financials Show Gap Among Banks

Bad Debt Write-Offs Discussed

952A0242A Tokyo NIKKEI KINYU SHIMBUN in Japanese 29 Nov 94 p 3

[Article by Tokyo Economics Department reporter Norikazu Shinohara]

[FBIS Translated Excerpt] When we analyze the banks' September 1994 midterm closing accounts, we will see that a gap between quick and slow runners in the bad debt write-off race has further widened. Structurally strong city banks even started disposing of keiretsu nonbank bad debts, claiming proudly that the way out of their bubble disposal has now come in sight. On the other hand, trust banks still have more than two years before getting a firm outlook on their bad debt settlement. Clear differences are also emerging in the extent of progress in measures to increase profits and curb expenses in the market sector. A managerial gap is thus steadily widening among banks.

Banks Take Over Disposal Losses

[Passage omitted] One of the reasons for a sharp drop in ordinary profits by as much as 40 percent for all city banks is the expansion of losses due to their assistance to *keiretsu* nonbank lenders in managerial difficulties. Assisting nonbank lenders through the use of an organization charged with purchasing bad assets is a method worked out by the Mitsubishi Bank when it was prepared to set up a purchasing organization in 1992. Under this method, losses incurred by nonbank lenders are covered by the same amounts of funds donated by assisting banks. Moreover, the banks are exempt from donation taxes, and the funds are deductible as assistance losses. The full picture of such losses is not available because many banks have not announced them publicly; however, nonbank assistance losses seem to occupy more than half of the total losses, amounting to about 1 trillion yen, which 21 banks suffered through their sales of bad debts to the joint bad- assets purchasing organization. The late closing accounts show that in addition to the Mitsubishi Bank, the Sumitomo Bank also recorded a loss of 51.3 billion yen through its assistance to Sumigin Lease while the Sanwa Bank registered a loss of 48.6 billion yen through its aid to Sanwa Business Credit.

However, banks which could go so far as to begin settling bad debts of *keiretsu* nonbank lenders were those main banks which made relatively much progress in the disposal of their own bad debts. The Bank of Tokyo and the Tokai Bank already finished settling their *keiretsu* nonbank problems in the preceding term. As for Sanwa and Mitsubishi, their levels of write-offs will be far lower than their net business revenues when they finish redeeming debts for nonbank lenders which started in the late term. Therefore, beginning next fiscal year, there will be no more need for massive *ekidashi* [a kind of stock cross trading implemented in Japan in which business corporations and institutional investors engage in massive deals by using stocks of low book values].

The Bank of Tokyo is the only bank whose allowance ratio (the ratio of the combined amount of the special bad debts reserve and the general allowance for doubtful accounts to the total bad debts announced) exceeds 50 percent, and it is in a state where it "can fully cover the need for the reserve fund against bad debts" (Accounting Department Director Kanya Hama).

"Way Out" Still Far for Trust Banks

On the other hand, the allowance ratios of the Sakura Bank and the Dai-Ichi Kangyo Bank, which have large amounts of announced bad debts outstanding, stand at the level of 20 percent. Because of their sluggish growth in net business revenues, the two banks will be pressed to increase and accumulate high levels of reserves by means of *ekidashi* in the future as well. The Fuji Bank will, at last, begin dealing with *keiretsu* nonbank lender's bad debts in the latter half of the current business year.

Latent stock profits of structurally-weak trust banks are also at low levels, making it impossible for them to write off bad debts massively in a short period of time. Many of them say that "we would like to get a firm outlook on the disposal in fiscal 1996" (the Chuo Trust & Banking Co.). They will find their way out of the bad debt settlement about one year later than most city banks.

Because all banks reckon up huge amounts of profits on stock sales, "the ordinary profits and the after-tax profits no longer work as indicators of the earning capacity" (Sanwa Bank Executive Director Junichiro Kojima). This is also the characteristic of the late closing accounts. Among city banks, the highest net business revenues are obtained by the Sanwa Bank while the highest ordinary profits are made by the Sumitomo Bank and the highest after-tax profits by the Bank of Tokyo. The Sumitomo Bank includes in its ordinary profits the bulky profits on stock sales, and in case estimates are made on the basis of the real ordinary profits, which are computed by deducting the profits on stock sales from the ordinary profits, most of major banks will plunge into the red.

Stock Appraisal Losses May Expand

What is more, in the banks' *ekidashi* trading, the part of stocks getting sold out is still extremely limited, and most of the deals are what is called cross sales requiring short covering. As a result, book prices of stocks on hand are rising while their latent profits are dwindling. According to the trends of the stock market which is continuing to show a bearish tone, banks whose latent profits are small may possibly suffer massive stock appraisal losses toward the end of March next year. In such a case, they will have to delay their plans to write off bad debts by means of stocks.

Major Banks' Actual Bad Debt Redemption Status (September 1994 Midterm Settlement; Unit: 100 Million Yen)

	Amount Written Off	Of Them, Losses on Sales to Joint Buying Firm	Stock Latent Profit Rate (%)
Mitsubishi	2013	1819	42 (44)
Sumitomo	1967	1394	34 (38)
Fuji	1679	719	34 (35)
Daiwa	1478	1236	29 (36)
Sakura	1454	746	37 (39)
Sanwa	1415	1155	41 (41)
Dai-Ichi Kangyo	1394	827	37 (37)
Asahi	797	279	44 (45)
Tokai	537	351	33 (33)
Hokkaido Takushoku	354	210	26 (29)
Tokyo	319	48	31 (30)
(City Banks: Total)	13408	8784	
Long-Term Credit Bank of Japan	909	287	35 (38)
Nippon Credit Bank	852	350	27 (33)
Industrial Bank of Japan	600	113	47 (47)
(Long-Term Credit Banks: Total)	2361	750	
Sumitomo Trust and Banking	1525	202	38 (42)
Mitsubishi Trust and Banking	1109	179	38 (39)
Mitsui Trust and Banking	562	249	39 (40)
Yasuda Trust and Banking	364	218	30 (29)
Chuo Trust and Banking	276	250	16 (18)
Toyo Trust and Banking	175	128	34 (33)
Nippon Trust Bank	4	3	27 (25)
(Trust Banks: Total)	4015	1229	
(21 Banks: Total)	19784	10763	

(Notes) Some totals do not show exact sums because fractions are rounded off. Losses on sales to the buying firm include losses from assistance to keiretsu nonbank lenders. Stock profit rate shows the ratio of latent profits to current market prices. Figures in parentheses show rates as of the close of the accounting year ending in March 1994.

Impact of Risk Management Viewed

952A0242B Tokyo NIKKEI KINYU SHIMBUN in Japanese 30 Nov 94 p 3

[Article by Tokyo Economics Department reporter Arisa Yoshida]

[FBIS Translated Text] "In the late term, we used prudence in the transaction of bonds because of unclear prospects for future interest rates." "The dollar's fund-dealing revenues were slack due to rising U.S. interest rates." Responsible executives in city banks almost unexceptionally mentioned these two points when they published their closing accounts for the April- September term. Last year, profits on bond dealings bolstered revenues through favorable effects of a fall in interest rates at home and abroad. In a complete change, long-term interest rates both at home and abroad turned upward in the late term, making the bank revenue circumstances rigid at a stroke.

Bonds, Foreign Exchange Both Become Dull

City banks' bond-related profits (measured by computing losses and profits on sales, losses and profits from redemption, and write-offs) amounted to 43.4 billion yen, indicating an over 30 percent slide from the same term of last year. Sumitomo, Tokyo, Tokai, Asahi, and Daiwa were the only five banks which showed an improvement in this respect. Most banks contrived to raise profits by selling the past high-yield bonds, and so the rates of yield on negotiable securities generally dropped by between 0.2 percent and 0.4 percent.

Among them, three banks—Fuji, Asahi, and Tokyo—hastened sales and reduced the balance of holdings by over 10 percent, compared with the same term of last year. They showed a position of stemming the further widening of wounds by paying costs which ate up almost all latent profits. On the other hand, the Sakura Bank increased the balance of holdings nearly by 20 percent during the term, and as a result its bond latent profit valued at about 90 billion yen one year ago turned into a latent loss amounting to over 20 billion yen, leaving a task to the future.

In the past several years when low interest rates continued in the United States, the dollar's fund dealings bolstered revenues of city banks; however, with an upward turn in the U.S. interest rates, it appears that the dealings will continuously get in the way of efforts by city banks to raise revenues in the future. Of 11 banks, nine banks suffered a decrease in gross profits from international business deals. Dai-Ichi Kangyo and Tokai saw an over 30 percent decrease from the same term of last year, showing a structure easily influenced by the results of foreign currency dealings.

Amid these developments, many city banks improved, though to a small extent, their total margins of profits on funds (domestic business). This chiefly resulted from a fall in the fund-raising cost with low-interest time deposits made around 1990 coming to maturity, and this aspect made up for a drop in the margins of profits due to a plunge in the lending rate.

Net Business Revenues May Drop by Half in Latter Half

However, this primary factor creating the fall in the cost is expected to last until the first half of next business year, and city banks which used up a considerable part of their bonds' latent profits in the first half will face rigid revenue circumstances in the latter half. An assistant director in charge of planning at a certain leading city bank makes the following remark, expressing his apprehensions: "Dealings in bonds and foreign currency funds which have thus far bolstered net business revenues are in a stall, and when the current short-term prime rate (the most preferential lending interest rate; 3.0 percent at present) is left as it is, net business revenues for the latter half may easily drop by half."

Each city bank is stepping up the implementation of the ALM [assets and liabilities management] (a management method handling both assets and liabilities in a comprehensive manner) which fully utilizes interest rate swaps. The September midterm closing vividly showed differences among banks in their accumulation of ALM efforts in the past.

Swap transactions—in which banks receive fixed interest and which expanded amid dropping interest rates in the past three years—have continuously been the source of earnings for the Fuji Bank which reaped preeminent swap profits last fiscal year. The other banks dared to ignore revenue opportunities arising from expanded differentials between long-term and short-term interest rates and suffered nearly as much swap losses as in the same term of last year. This was because they were oriented toward long-term investments such as lending out at fixed interest rates and toward safe operations in which profit margins are determined through a term that includes the fund-raising period.

However, the Mitsubishi Bank largely reduced its swap losses in the past one-year period. It says that "by streamlining our risk management system, we will explore the ALM's further capacity to induce our periodic revenues to bottom out." A move is thus also growing up within the bank to seek the ALM system which puts in perspective not only the avoidance of risks but also revenues.

The tendency toward the ALM with an eye to turning the fluctuations in interest rates to one's advantage becomes further evident in long-term credit banks. In fiscal 1990 when long- term interest rates were put to the level of 8 percent, the major three banks issued interest-bearing bank debentures amounting to 13 trillion yen in all amid the "Wide [a new kind of interest investment bond] Fever." At present, thanks to the aftereffect of this fever, respective long-term credit banks still carry the burdensome long-term funds raised at high cost. As a result, the three banks unanimously recorded minus figures in the total domestic margins of profits on funds.

Conspicuous Struggles by Industrial Bank of Japan

To overcome this handicap, conspicuous efforts were made to induce net business revenues to bottom out by expanding long-term investments in both bonds and swap dealings. This is because, in case of long-term credit banks which carry long-term funds raised through what is called the Wild Bonds, the increase in long-term investments also bring about the removal of periodic risks. This stance is likely to continue until the fall of next year when the redemption of the Wide Bonds will reach its peak.

Among long-term credit banks, the Industrial Bank of Japan is the only one that improved the bond profit-loss situation. Among city banks and long-term credit banks, it reaped the highest earnings amounting to 45.4 billion yen. This was possible because it obtained profits on sales through bond sales in the first half of this year. Its swap profits amounting to 40 billion yen are also the highest among city banks and long-term credit banks. Among the three banks, the Industrial Bank of Japan alone maintained latent bond profits as of the end of September, and the way theses banks implement the ALM in the future is likely to create a gap among them in the degree of latitude in using their own discretion before taking risks.

Market Revenues and Total Margins of Profits on Funds by City Banks and Long-Term Credit Banks

	Profits and Losses on Bonds, Including National Bonds (100 million yen)	Profits and Losses on Foreign Exchange Transactions (100 million yen)	Total Domestic Profit Margins on Funds (%)
Sanwa	31 (-96)	113 (-17)	0.49 (0.14)
Fuji	13 (-135)	68 (-74)	0.28 (0.00)
Sumitomo	107 (51)	123 (-92)	0.25 (-0.06)
Mitsubishi	22 (-12)	103 (-5)	0.40 (-0.02)
Dai-Ichi Kangyo	-5 (-64)	95 (-15)	0.30 (0.06)
Tokyo	134 (87)	259 (-42)	0.43 (0.16)
Sakura	45 (-82)	122 (9)	0.22 (0.02)
Tokai	70 (25)	68 (-32)	0.37 (0.09)
Asahi	-6 (29)	39 (2)	0.34 (0.09)
Daiwa	-9 (15)	64 (16)	0.94 (0.02)
Hokkaido Takushoku	32 (-18)	12 (-5)	-0.07 (0.08)
Industrial Bank of Japan	454 (337)	16 (-3)	-0.17 (0.00)
Long-Term Credit Bank of Japan	230 (-72)	8 (-12)	-0.15 (0.03)
Nippon Credit Bank	23 (-86)	5 (-30)	-0.03 (0.07)

(Notes) Figures within parentheses are change in amount and percentage points as compared with the same term of last year.

Investment in Semiconductor Production Viewed

952A0221A Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Nov 94 p 27

[Article by Yukio Shimura, president of Kogyo Chosakai (industrial research association): "Bring Efficiency to the Fore in Semiconductor Investment; the Huge Input Is Unavoidable, and Studies Are Needed To Reduce the Number of Processes and Promote the Common Use of Production Lines"]

[FBIS Translated Text] *1) The prevalence of large-scale investment in semiconductor manufacturing equipment has been prompted by soaring prices of production devices and an increase in the number of device units in use resulting from miniaturization and high integration of the LSI (large-scale integration). This consequently is inviting a fall in investment efficiency.*

2) Animation of the PC [personal computer] market and emergence of next-generation machines have expanded demand for memories and prompted equipment investment directed at DRAM [dynamic random-access memory].

3) In order to avoid business fluctuations through the silicon cycle and pursuit by the Asian market forces as well, Japanese manufacturers should strive for specializing high value-added products and utilizing investment efficiently.

Double-Digit Growth Despite Market Maturity

The semiconductor industry is a research and development industry and at the same time a typical device industry. Enterprises participating in this industry are forced to make capital investment on a continued basis; therefore, it is no exaggeration to say that to gain the competitive advantage depends on whether one has the ability to make this kind of investment or not. Through the 1980's, Japanese semiconductor manufacturers funneled funds amounting to about 27 percent of their sales into capital investment. This figure is about 5 percentage points higher than the level of the United States.

During that time, Japanese semiconductor companies have embarked on active capital investment amid market recovery in progress. The five major companies' investments in fiscal 1994 amount to 540 billion yen, up 39 percent over the previous fiscal year. Although this figure is slightly less than the fiscal 1990 performance level of 566 billion yen, it exceeds by as much as nearly 70 percent the investment scale of fiscal 1992 when the industry was at the worst of the recession.

Behind the large-scale (expressing more properly, gigantic) expansion of investment in semiconductor equipment is the still warrantable expectation for a double-digit growth although the semiconductor market has moved out of its growth phase and is coming close to the period of maturity. According to a midterm estimation made recently by the WSTS (World Semiconductor Trade Statistics), the world market scaled at $77.3 billion in fiscal 1993 will grow into one that will involve $153.8 billion in fiscal 1997, registering about 19-percent annual growth rate during the period.

The figure is a manufacturers' estimation, so it is optimistic; however, a reinforcement of equipment is indispensable in order to cope with the market, which is expanding such a scale.

There is one more factor that prompts the large-scale investment. Amid the LSI miniaturization and high integration, the industry faces soaring prices of production devices, an increase in the number of units in use, and a rise in the cost of equipment for dust-free clean rooms and automation. Thus companies are pressed to increase their investment amounts.

As to soaring device prices, let us cite the case of the exposure equipment which is the core of the preprocessing (wafer treatment process). In the early era when the equipment consisted of aligners (batch exposure equipment), it cost about 10 million yen to 30 million yen. But the stepper (successive transfer exposure process) equipment now in use costs as high as 200 million to 300 million yen.

The number of equipment that increases along with the increase of processing steps is also another headache for semiconductor manufacturers. In case of DRAM, which is the main force of semiconductor memories, the number of steppers increases by 40 to 50 percent as the succession of generations, and the number of equipment in use also increases proportionately.

The number of steppers required for mass production lines capable of turning out 3 million DRAM's monthly was 20 units in the 256-kilobit era, but it reached 30 units in the 1-megabit era and 40 units in the 4-megabit era, registering a steady increase. Such a development literally amounts to a double punch for the manufacturers because both the cost of equipment and the number of units rise.

Ordinarily, the amount of investment in DRAM mass production lines is said to be increased by 1.7 times each time the change of generations takes place. When an enterprise intends to build a 16-megabit next-generation DRAM mass production plant (capable of producing 5 million DRAM's a month), it must prepare for large-scale investment of 100 billion yen.

As an inevitable outcome of the expansion of large-scale investment, a drop in investment efficiency has become conspicuous. Investment efficiency is generally expressed by the ratio of the relevant year's amount of increase in sales to the preceding year's capital investment amount. In the case of the Japanese industry, the ratio stayed at the level of 2.0 in the latter half of the 1970's, but it fell to 1.0 in the first half of the 1980's and 0.5 in the latter half of the 1980's and thereafter. The drop in investment efficiency points out the need for a continuous increase in investment funds in order to attain certain levels of sales. It is undeniable that the semiconductor industry has become a business where profits are difficult to be made as time goes by.

Yet, domestic manufacturers are all running toward large-scale investment. The reason is that the PC market centered on the United States is rapidly expanding, thereby driving the demand for semiconductors upward.

Demand Becomes Slack About Every Four Years

Actually, according to a forecast by Dataquest, a U.S. market research company, the world PC market for 1994 in terms of the number of units will involve 45 million units, up 16 percent over the preceding year, and it will further increase to the level of 77 million units in 1998, a 1.7-fold jump from the 1994 level.

The increase during the same period will be at an annual rate of about 14 percent, implicitly substantiating a large growth potential of this market. Major domestic semiconductor producers, as leading DRAM suppliers in the world, are pining immense hopes on the expansion of the demand for PC's.

The main memory capacity per PC unit is on an increasing trend due to highly developed functions and performances of the microprocessor unit (MPU) and the basic software (OS) [operating system], and this also serves favorably for semiconductor manufacturers.

Today, in the PC field, the use of the "pentium" and "power PC" as next-generation MPU's and the "Window NT" and "Chicago" as next-generation OS's has begun to be popularized. Therefore, the per unit memory capacity is expected to increase sharply from 7.5 megabytes in 1993 to 10 megabytes in 1994 and 15 megabytes in 1996.

This indicates that not only the number of units increases, but also the input coefficient, that is, the per unit usage of semiconductors, goes up.

With such a favorable turn in the DRAM market environment in mind, Japanese semiconductor companies are working to shift from the present 4 megabit production to the 16 megabit production.

However, as things stand now, the supply system is not necessarily perfect in coping with the sharp rise in demand. For example, the annual demand for 16-megabit DRAM's for 1997 will reach around 800 million, and to fill this demand, 22 plants, each capable of producing 3 million a month, will be required on a simple calculation. As a matter of fact, when we count all plants in the world, their number does not reach even 20. The rapid increase in the equipment investment today reflects such a reality, but it reflects the sharp rise in the per-plant investment amount as well.

The problem is the existence of cyclical fluctuations based on what is called the "silicon cycle." Under this cycle, the semiconductor market faces a slack in demand roughly every four years. Once the market for applied devices and equipment slip into a declining cyclical phase, semiconductor products fall into the state of oversupply and stock accumulation, compelling plants to sustain a drop in the operating rate or to put themselves out of operation. In case of the PC market that occupies 70 percent of the demand for memories is over-cooled, the supply-demand balance will be overturned at a stroke, and today's investment will turn into "excessive investment." All the more because investments by major domestic manufacturers are DRAM-oriented, we cannot help entertaining such apprehensions.

For the manufacturers, the running cost generated by equipment investment cannot be slighted. For instance, when a manufacturer invests 120 billion yen at this point, he must expect the equipment depreciation cost amounting to 2 billion yen a month over five years hereafter and various other expenses exceeding 1 billion yen. Such a burden is not a problem if a situation continues in which demand exceeds supply, but it is felt quite heavy when a situation develops vice versa. This is why the semiconductor business is compared to "the siren on the Lorelei rock."

For domestic semiconductor manufacturers, another matter of concern is that Asian NIE's (newly industrializing economies) are rapidly increasing their investment amounts.

Among foreign manufacturers, those of the United States as typically seen in Intel, are using the strategy of standing at advantage with nonprice competitiveness by backing out of the DRAM and specializing in high value-added products such as MPU's. It is only couple of firms such as Texas Instruments (TI) and Micron Technology that are engaged in the mass production of DRAM.

Fear of Competing With ROK Over "Same Pie"

In contrast, the ROK, a country of substantial capacity among Asian NIE's, has consistently specialized in the DRAM business and enhanced its supplying capabilities through a concentrative input of funds and personnel since its full-scale participation in this business in the 1980's.

In fact, investments into semiconductor equipment by the country's three major companies (Samsung Electronics, Hyundai Electronics Ind., and Kum-Sung Electron) in fiscal 1994 total about 350 billion yen, and most of them are directed to the DRAM. As mentioned, investments by five major Japanese companies total 540 billion yen, but the portion directed to the DRAM is estimated to be about 70 percent of the total investments, and so the gap between the two sides is not so large as it appears.

Such being the case, ROK makers' supplying capabilities for 16-megabit products must become fairly large, ranking with those of Japan, toward the end of 1995 when ROK manufacturers are expected to begin improving their footing. Samsung Electronics is said to have already attained the highest supplying capabilities in the world by accelerating investment in these new-generation products.

Attention should also be given to the new participation moves by several enterprises in Taiwan. It will lay large restraints on the Japanese manufacturers as well, which has thus far taken pride in being "a memory giant," if these new participants come to share the same pie with the Japanese manufacturers.

The future task before Japanese manufacturers—though it is the same DRAM that they produce—is to depart from the pursuit of mere "quantity" and shift emphasis to high value-added products through various measures including a step to turn out ASSP's (standard products for specific purposes) aimed at realizing a high speed, low power consumption, and low voltage with regard to the DRAM and at incorporating the DRAM with the logic circuit.

At the same time, with an eye to reducing as much as possible the burden of equipment investment getting increasingly large-scale, further efforts should be made to standardize devices in use and achieve the common use of production lines for two or more generations of items, not to mention the improvement of operating rate of equipment and the reduction in the number of operational processes.

North Korea

Former Aide: Kim Yong-sam 'Manipulated' by CIA

SK2302110295 Pyongyang KCNA in English 1046 GMT 23 Feb 95

[FBIS Transcribed Text] Pyongyang, February 23 (KCNA)—Kim Hwi-won, a former secret assistant to Kim Yong-sam, in a declaration of conscience issued at a news conference here today, laid bare the seamy side of Kim Yong-sam's political career he had witnessed in the 1985-1990 period.

The news conference was called at the request of Kim Hwi-won who wanted to explain the ill-boding current political situation in South Korea.

He was formerly chairman of the Kangwon Provincial Committee of the "Reunification Democratic Party" of South Korea and member of the Central Standing Committee of the "Democratic Liberal Party [DLP]." He was granted permanent residence in the northern half of Korea in June 1991.

In his declaration of conscience he said, though he had several positions outwardly, he went to the residence of Kim Yong-sam every day to serve him as a secret assistant.

A secret assistant in charge of foreign affairs, defence, home affairs and information, he secretly linked Kim Yong-sam with the United States, the military, the "Agency for National Security Planning" (ANSP) and police.

Those who knew what Kim Hwi-won was doing were Kim Yong-sam, Donald Gregg who was once chief of the South Korea branch of the U.S. Central Intelligence Agency, director of the Asia-Far East Department of the CIA and then U.S. ambassador to South Korea, and a few people of the "ANSP."

Even the close assistants to Kim Yong-sam did not know this at all.

Kim Hwi-won said, since he was a secret assistant, he knew well of the relations between the United States and Kim Yong-sam and knew a lot about the shady political manoeuvring of Kim Yong-sam. And he exposed concrete facts.

Revealing the truth behind the merger of three parties in January 1990, Kim Hwi-won said the merger was neither the will of the people and the members of the parties nor a brainchild of No Tae-u, president of the "DLP," Kim Yong-sam and Kim Chong-pil, but an offspring of the manipulation of the United States.

All the politicians of South Korea including the president of a political party are actors on the stage acting on the scenario of the United States, and the "National Assembly," merger of political parties, party conventions and all other political events are no more than an echo to others' voices.

Kim Hwi-won said he could vouch that the "reorganisation" of the "DLP" under Kim Yong-sam's "globalisation" plan was directed in the same way as the three parties were merged.

"I can say confidently here that the 'globalisation' plan is a tricky slogan devised by Kim Yong-sam at the manipulation of someone while seeking a way out of the tight straits and that the 'DLP' was reorganised by the dark hands of someone, though it was allegedly done to build up the propelling force of 'globalisation'," said Kim Hwi-won.

The "declaration of conscience" cites concrete facts proving that Kim Yong-sam has been manipulated by some dark hands behind the scene such as the U.S. CIA and the "ANSP" which is said to dominate the "government" of South Korea.

"Kim Yong-sam is manipulated by the U.S. CIA and the 'ANSP' and secret tacticians and he hires and dismisses people according to his interests. This is his political tactics and 'method of dealing with people'," said Kim Hwi-won.

Kim Hwi-won told the news conference he would like to declare that politics in South Korea cannot but be underhand politics and fraudulent politics as long as the U.S. exercises its shady influence and such persons as Kim Yong-sam who depends on others' "strength" in politics and secret manipulators swarm in the ruling and opposition parties.

Analyzes DLP Reorganization

SK2302110895 Pyongyang KCNA in English 1053 GMT 23 Feb 95

[FBIS Transcribed Text) Pyongyang, February 23 (KCNA)—Kim Hwi-won, former chairman of the Kangwon Provincial Committee of the "Reunification Democratic Party" and member of the Central Standing Committee of the "Democratic Liberal Party" [DLP] of South Korea, called a news conference here today.

He told reporters that he was a secret assistant to Kim Yong-sam.

Kim Hwi-won was granted permanent residence in the northern half of Korea in June 1991 after defecting from South Korea.

At the news conference, he released a declaration of conscience on the underhand politics of Kim Yong-sam.

Then, he answered questions put by reporters.

He told newsmen he enjoyed special trust of former U.S. Ambassador to South Korea Gregg. While serving as an intelligence agent of the military, he forged deep relations with the U.S. CIA and deepened his intimacy with Gregg. At Gregg's recommendation, he was once dispatched to the U.S. State Department and served as senior secretary of the South Korean "defence minister" in charge of information.

He was highly estimated several times for correctly carrying out Gregg's orders and was dispatched to Kim Yong-sam as a secret assistant in 1985.

Kim Hwi-won told newsmen about his views on the background of the reorganisation of the "Democratic Liberal Party" promoted under the "globalisation" plan, the composition of the "DLP" and its prospect.

The reorganisation of the "DLP" is, in a nutshell, a ruse to find a way out of the tight straits. The composition of the reorganised "DLP" tells us that it is a poor party made up of small fry, without big shots.

Its prospect is gloomy. As soon as the "DLP" was reorganised, many people including those of the "republican faction" quit it and those of the "Democratic Justice Faction" are in a state of unrest. This is a prelude to a total collapse.

The reorganisation of the "DLP" is, in the final analysis, a political fraud to bolster up the "government" in its mid-term, not an undertaking to build up the propelling force of "globalisation."

The politicians responsible for the destiny of the country and the nation must use their own brains and go their own way and leave traces of justice in history, not ruining their career while serving as supports for Kim Yong-sam, Kim Hwi-won said, expressing the hope that all the politicians of South Korea in the ruling and opposition camps would become true politicians.

U.S. Military Circles Trying To 'Crush' DPRK

SK2302035795 Pyongyang Korean Central Broadcasting Network in Korean 1222 GMT 22 Feb 95

[Commentary by Yun Pyong-son: "Unchanged Policy of Crushing"]

[FBIS Translated Text] In recent days, some in the U.S. military circles have been trying to strain again the situation on the Korean peninsula under an unreasonable pretext.

They are undisguisedly scheming to continuously maintain and augment the U.S. Forces in South Korea by preposterously finding fault with us, while clamoring that we are continuing to deploy conventional forces along the area near the Military Demarcation Line [MDL] and that we are far surpassing a certain country in the Middle East with regard to nuclear weapons development. In the campaign, they are even stressing the need to impose sanctions and intensify pressure against us.

This fully shows that some in the U.S. military circles are not giving up their position of resorting to force—even today when the DPRK-U.S. framework agreement is being implemented—and that they are trying to attain their insidious goal, while harboring a still-unchanged, outdated way of thinking and have a confrontation-oriented perception.

They are clamoring that we are continuing the deployment of our conventional forces along the MDL and that we are conducting nuclear weapons development. But their allegation has a far-fetched logic which is far from reality.

Everybody knows that we are not augmenting our forces along the MDL. On the contrary, the South Korean puppets themselves are the ones conducting military provocative acts against us almost every day, while bringing armed rascals and heavy weapons along the MDL. And their allegation about our nuclear weapons development is nothing but a repetition of an old tune.

We are not developing nuclear weapons. We have already even frozen the operation of the peaceful-purpose nuclear facilities in conformity with the DPRK-U.S. framework agreement.

The whole world has recognized this. Under these circumstances, some in the U.S. military circles have unfolded such an unreasonable pretext. This is based on their insidious goal to mislead the public opinion, thereby continuing to maintain and augment the U.S. Forces in South Korea and justify their act of stressing the need to impose sanctions and intensify pressure against us.

This shows that their policy of trying to crush [apsal] us with strength still remains unchanged, and, on the contrary, they are continuously pursuing such a policy.

If some in the U.S. military circles continuously maintain and augment the U.S. Forces in South Korea and impose sanctions and intensify pressure on us, while continuing to stick to such a far- fetched logic, then, a grave obstacle will be created, and it will be difficult to think of the implementation of the DPRK-U.S. framework agreement.

Moreover, at the present moment, the United States and we have hostile relations [kyojon kwangye]. With the relationship in such a state, if one belligerent party reinforces its armed forces against the other party, or if it imposes sanctions and intensifies pressure against the other party, this can break the atmosphere which is running toward the reduction of tension, and can bring the situation to an unpredictable phase of confrontation again. This is clear to everyone.

In this case, this will never bring about a good result to the United States, either. Some in the U.S. military circles should better think rationally and behave prudently.

Even if they impose sanctions and intensify pressure against us, we, who have unflinchingly lived under sanctions and pressure for several decades, will never be frightened [nollaji anumyo], nor scared [turyowo hajido ansummnida].

A policy resorting to force may work on someone else, but will never work on us.

It is our rock-firm position and principle to treat confrontation with confrontation. If some in the U.S. military circles put the brake on the implementation of the DPRK-U.S. framework agreement by citing a non-existing fact, and if they try to attain their insidious goal by resorting to force, we, too, will have no choice but to adopt a corresponding position.

Some in the U.S. military circles should know that a policy resorting to force is not all-powerful, nor is it beneficial to the United States, either, and they should give up their anachronistic way of thinking.

U.S. Stages 'Midnight Air Strike Exercise'

SK2302045495 Pyongyang KCNA in English
0445 GMT 23 Feb 95

["Midnight Surprise Air Strike Exercise of U.S. Imperialist Warlikers"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 23 (KCNA)—The U.S. imperialist warlikers staged a midnight air strike exercise aimed at a surprise attack on major targets in the inland area of the northern half of Korea on February 20 and 21 with Asan Bay and Sangdong of South Korea as the operational theatre, according to military sources.

Involved in the military provocation were 20 odd overseas-based assault planes and pursuit-assault planes of the U.S. Pacific Marines.

The Korean people and People's Army soldiers are sharply watching the ill-boding military moves of the U.S. imperialist bellicose elements. If the enemy dare provoke a war, he will be sternly punished.

Kim Yong-sam's Remarks on North Military Viewed

SK2302050695 Pyongyang KCNA in English
0455 GMT 23 Feb 95

["False Propaganda Reversing Black and White"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 23 (KCNA)—The traitor Kim Yong-sam showed up at the puppet ministry of national defence on February 20 and cried that the North is "reinforcing Armed Forces" and "it is likely to create tension."

Commenting on this, MINJU CHOSON in commentary today says his outbursts reversing black and white fully show what a brazen-faced liar and plotter he is.

The analyst further says:

We are making every possible effort for the peace and peaceful reunification of the country. At a joint meeting held in Pyongyang on January 24, political parties and organizations in the North put forward a crucial proposal to convene a grand national conference and discuss and define the way of reunification common to the nation. Our People's Army is displaying patriotic devotion at grand socialist construction sites, while defending the motherland.

It is not the North but the Kim Yong-sam puppet clique that are building up arms and aggravating tension in the Korean peninsula. The puppet clique, in actuality, are introducing destruction weapons from other countries under the cloak of "a new defense policy". And they stage military exercises and provocations against the North almost every day.

In crying over the north's "arms buildup" and "possible creation of tension", the traitor Kim Yong-sam sought to foster distrust between the North and the South by all means, find a pretext for putting spurs to the war preparations against the North and balk at a smooth implementation of the framework agreement between the Democratic People's Republic of Korea and the United States.

Such a foolish trick will only result in bringing the puppets' sinister intention into bolder relief and precipitating their doom.

The traitor Kim Yong-sam must act with discretion, clearly aware of this.

ROK Said 'Graveyard of Democracy, Civil Rights'

SK2302102595 Pyongyang KCNA in English
1017 GMT 23 Feb 95

["Kim Yong-sam Denounced for Turning S. Korea Into Graveyard of Democracy, Civil Rights"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 23 (KCNA)—It is one of the crimes of the blackest dye of Kim Yong-sam that he has turned South Korea into a worse graveyard of democracy and civil rights in his two years of office, resorting to a brutal fascist repressive rule, says NODONG SINMUN today.

The Kim Yong-sam group are keeping intact the repressive tools of the preceding military dictatorship period such as the infamous "National Security Law," "the Agency for National Security Planning" and "the Defence Security Command" and pursuing truculent politics backed by bayonets, the analyst says, and continues:

In ten months after Kim Yong-sam came to power, the fascist clique arrested more than 870 people and injured above 600 others by hurling a total of 524,200 men of the repressive force against the movement of students and people for independence, democracy and reunification. When students and people of various social strata rose up in the struggle for the punishment of the murderers of Kwangju people and the establishment of a democratic government, upon the lapse of 13 years since the Kwangju popular uprising, the fascist clique mobilized a force more than 100,000 strong in a bloody crackdown on their struggle. The traitor Kim Yong-sam is harshly suppressing the South Korean Federation of General Student Councils, a legal organization of South Korean students, labelling it as "an illegal organization." He invokes even the notorious "emergency arbitration power" to put down the workers' legitimate strikes, branding them as "collective egoism.

His group committed never-to-be-condoned brutalities. Discarding even the beautiful manners and custom of the nation and human ethics they invoked "the National Security Law" to suppress those who expressed condolences over the misfortune of the fellow countrymen in the North.

They let loose a police force 25,000 strong to block the Fifth Pan-National Rally held in Seoul and sprayed liquid teargas from a helicopter to suffocate their participants.

The Kim Yong-sam group do not hesitate to put all of the South Korean people on the altar of the fascist dictatorship to satisfy their greed for power and maintain it.

The South Korean students and people and all the Korean nation will surely make the Kim Yong-sam traitorous clique pay dearly for their crimes in turning South Korea into the most disgraceful society in our age.

ROK District Reorganization Issue Criticized

SK2302050095 Pyongyang KCNA in English
0450 GMT 23 Feb 95

["Tricky Policy for Saving Crisis"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 23 (KCNA)—The Kim Yong-sam group is bringing forward the "question of reorganising administrative districts" before the "elections to the local autonomous bodies" and hatching a plot to postpone the "elections" through the "Agency of National Security Planning".

Commenting on this, a NODONG SINMUN analyst today says:

This scheme of the Kim Yong-sam group is aimed at readjusting and reinforcing by all means its ruling system which is crumbling and, in particular, fill the posts of the local "government offices" with its vassals by winning the "elections to the local autonomous bodies" slated for summer this year. Only then can it hold the forthcoming "elections to the National Assembly" and "presidential elections" in its favour and build up a system of long-term office.

The traitor Kim Yong-sam has become an "eight-percent president", with his popularity declining sharply. To cap it all, the "operation for ousting Kim Chong-pil" has brought unexpected consequences. He has to gain time because it is certain that he will lose the "elections" if they were held as scheduled.

The Kim Yong-sam group, having committed unpardonable crimes against the nation in two years of its office, is hatching another plot to stay in power. It is, indeed, a group of traitors and greedy seeker of power.

Driven into a crisis of destruction for its treacheries, the Kim Yong-sam group is depending on the "Agency for National Security Planning" more heavily and desperately trying to reverse the situation by setting it in motion.

The on-goings show again that the Kim Yong-sam group must be overthrown and the "Agency for National Security Planning" be exploded.

Reunification Group Issues Publications on ROK

'Information No. 675'

SK2202050995 Pyongyang KCNA in English 0501 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 22 (KCNA)—The secretariat of the Committee for the Peaceful Reunification of the Fatherland published its Information No. 675 on February 21 denouncing the Kim Yong-sam group for cracking down harshly upon patriotic students of South Korea these days by invoking the fascist "national security law".

According to it, the South Korean puppets on February 13 surprisingly arrested seven students of Pusan National University including Cho Yong-hwan, vice-chairman of the general student council of the university, and Kim Ung-sok, chairman of the General Student Council for the school year 1993, on the strength of the "national security law", on charges of leading "enemy-benefiting acts".

On the same day, the fascist clique arrested Yi Chae-ho, vice- chairman of the General Student Council of Pusan National University for the school year 1993, and three leading members of the General Student Council of the university who were on "defense duty" by mobilising even the "defense security command" of the puppet army, and is now investigating them.

Earlier, the fascist clique in a trial demanded a three-year prison term and a three-year suspension of qualification for Ko Yong-pok, chairman of a chuche idea group. He was put into custody in September last year on the charge of teaching the chuche idea to high school students.

Branding this as a premeditated and deliberate repression to remove the core of the progressive youth who study and disseminate the advanced idea and take the lead in the reunification movement in South Korea by invoking the "national security law", an anti- democratic, anti-reunification law, the information says it fully reveals the death-bed wriggle of the present "civilian-veiled regime".

It urges the Kim Yong-sam group to stop the suppression of progressive students at once, unconditionally release the unwarrantably arrested patriotic students and immediately scrap the "national security law", the main stumbling-block in the way of national reunification.

'Information No. 676'

SK2302085995 Pyongyang Korean Central Broadcasting Network in Korean 0100 GMT 23 Feb 95

["The Committee for the Peaceful Reunification of the Fatherland Secretariat Information No. 676" denouncing South Korean military provocations against the DPRK; read by announcer]

[FBIS Translated Text] The Secretariat of the Committee for the Peaceful Reunification of the Fatherland [CPRF] issued an information [podo] denouncing the South Korean puppet clique's military provocations against us, which lately have become more frequent. CPRF Secretariat Information No. 676 reads:

Lately, the South Korean puppet clique's military provocations against us have become more frequent. On 18 February, the South Korean puppets brought in and deployed 12.7 millimeter large-caliber guns at a military police sentry post located in the southern area of the DMZ at Sangbong-ri, Chorwon County, openly in broad daylight, assuming a firing posture and aiming at our civil police personnel, thus threatening their personal safety.

Prior to this, on 16 February some 1,000 puppet scoundrels crawled into the DMZ in the south at Sasi-ri in Changpung County, at Komsa-ri and Tomak-ri in Chorwon County, at Chawon-ri in Pyonggang County, and Ipo-ri in Kumgang County, starting a war frenzy while running about in this area.

On 17 February, many armed rascals moved toward the demarcation line at Kunbon-ri, Kimhwa County, and conducted a planned [word indistinct] while firing guns, even waging such a provocative act as burning a broad range of forest on our side.

These military provocations by the South Korean puppet clique around the Military Demarcation Line [MDL] were waged almost every day from the beginning of February, following those waged in January. On 1 February, tens of armed scoundrels of the puppet army, as well as two military vehicles equipped with machine guns, crawled into an area near Chonan-ri, Pyonggang County. On the same day, puppet army scoundrels engaged in violence near the demarcation line at Kunbon-ri, Kimhwa County, firing machine guns and automatic rifles madly and at random.

On 2 February, the puppets illegally brought in 12.7 millimeter large-caliber machine guns to a military police sentry post at Chokko-ri, Puk-myon, Yonchon County, Kyonggi Province; they also brought in some 10 military vehicles into an area adjacent to the MDL south of Chawon-ri, Pyonggang County. That day, heavily-armed puppet army rascals crawled toward the demarcation line at Taedoksan-ri and Sasi-ri in Changpung

County, at Yongmun-ri in Kimhwa County, and at Ipo-ri in Kumgang County, bustling about in this area and conducting a military provocation against us.

The puppets also stirred up trouble on 3 February by moving puppet army rascals armed with machine guns and automatic rifles, as well as 13 military vehicles filled with various military equipment, along a street to the south of Kukhwa-ri, Changpung County.

On 5 and 6 February, some 100 armed puppet rascals moved into an area near Chaha-ri in Changpung County, Choram-ri in Pyonggang County, and Konchon-ri in Kimhwa County, waging a grave military provocation by firing hundreds of machine gun and automatic rifle shots against our side.

On 10 February, hundreds of puppet army rascals moved into the DMZ to the south of Taedong-ri in Panmun County, Kundong-ri and Yonghyon-ri in Kimhwa County, Intae-ri in Changdo County, and Wolbisan-ri in Kosong County, firing automatic weapons indiscreetly and at random against a sentry post on our side. A puppet army group with some 50 tanks mobilized and deployed around the demarcation line at Tongma-ri, Kalmal-up, Chorwon County, Kangwon Province, South Korea were frenziedly engaged in a midnight attack operational exercise aimed at passing through the MDL in cooperation with mechanized infantry outfits.

On the same day, artillery units of the puppet army, with 105 millimeter large-caliber guns, occupied fire positions at Mago-ri, Chung-myon, Yonchon County, Kyonggi Province and at Yulli-ri, Chorwon-up, Chorwon County, Kangwon Province, South Korea, and fired some 100 guns to areas adjacent to the MDL. Those puppet army scoundrels who occupied a position near the demarcation line between Kangsan-ri, Tongson-up, Chorwon County, Kangwon Province, South Korea and Chokko-ri, Chung-myon, Yonchon County, Kyonggi Province provoked us by firing some 1,300 machine gun and automatic rifle shots.

These military provocations being conducted every day by the puppet Kim Yong-sam clique near the MDL, where enormous armed forces have been concentrated, are grave because they aggravate tensions between the North and South, and may bring about unexpected aftermaths.

The Kim Yong-sam ring must look straight at the situation and not indiscreetly run wild.

Our People's Army and people who uphold as the supreme commander the respected and beloved General Kim Chong-il—a brilliant ever- victorious iron-willed general with extraordinary military wisdom, with outstanding tactics of leading the army, and with peerless braveness—are fully ready to defeat the enemy at one blow if the enemy dares attack us.

If the Kim Yong-sam ring indiscreetly runs wild, continuously pursuing confrontation and military provocations despite our warnings, it will be entirely held responsible for the aftermath arising from its actions.

22 February 1995, Pyongyang

'War Hysterics' Alleged

SK2302100995 Pyongyang KCNA in English 1002 GMT 23 Feb 95

["South Korean Puppet Cliques' Provocations Under Fire"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 23 (KCNA)—The Secretariat of the Committee for the Peaceful Reunification of the Fatherland [CPRF] on Feb. 22 issued its Information No. 676 denouncing the military provocations of the South Korean puppet clique against the North that are becoming more frequent nowadays.

According to the information, the South Korean puppets brought large-calibre machine guns and a number of armed bandits into the Demilitarized Zone (DMZ) in the central sector of the front on February 17 and 18 and made them run about in war hysterics. They even committed a premeditated fire-attack operation, burning a large area of forests in the North's area.

Military provocations have been committed by the Kim Yong-sam group almost every day in February as in the previous month. They brought a large number of armed bandits of the puppet army and war equipment into the DMZ and deployed Armed Forces in the foremost area, firing guns and rifles. The information stresses: These military provocations committed by the Kim Yong-sam puppet clique almost every day near the Military Demarcation Line along which huge forces are massed are grave because they increase tension between the North and the South and may bring unexpected consequences.

The Kim Yong-sam group must squarely look at the situation and stop running riot.

The People's Army and the people of Korea who have respected general Kim Chong-il, an ever-victorious iron-willed brilliant commander possessed of outstanding military wisdom, distinguished commanding art and unrivalled grit, as the supreme commander, are fully ready to smash the enemy at a stroke, if he venture an attack.

If the Kim Yong-sam group run about recklessly, persisting in confrontation and military provocations, defying our warnings, it will be held wholly responsible for the consequences arising therefrom.

Youth Conference on Korean Reunification Held

SK2202053995 Pyongyang KCNA in English 0445 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 22 (KCNA)—A World Youth Conference for Support to the

Reunification of Korea was held in Lisbon on Feb. 10 under the cosponsorship of the World Federation of Democratic Youth (WFDY) and the Communist Youth of Portugal.

It was attended by some 200 delegates of about 80 organisations from some 60 countries who came to Lisbon to participate in the 14th congress of the WFDY, and a delegate of the World Peace Council.

The participants paid a silent tribute to the memory of the great leader President Kim Il-song.

The conference discussed matters of supporting the proposal for founding the Democratic Confederal Republic of Koryo (DCRK) and the 10-point programme of the great unity of the whole nation and forming an anti-imperialist joint front of the young people around the world.

In his report at the conference, Secretary of the Communist Youth of Portugal Sadra said:

"The Korean nation has been undergoing unbearable sufferings and misfortunes from division for nearly 50 years. For the Korean nation to solve the Korean issue by itself is the Korean people's inviolable national right which accords with the principle of international law.

"The confrontation on the Korean peninsula caused by the tragic division of the nation imposed by foreign forces is a threat to peace and security in Asia and the rest of the world.

"It is 20 years since a resolution on the dissolution of the 'UN Forces Command' in South Korea, withdrawal of all foreign troops from South Korea and the replacement of the Korean armistice agreement with a peace agreement was adopted at the 30th session of the UN General Assembly in 1975. The resolution, however, has not yet been implemented. The Korean armistice agreement is abused to justify the U.S. military presence in South Korea and the U.S. policy toward Korea.

"His Excellency respected President Kim Il-song put forward the three principles of national reunification and the proposal for founding the Democratic Confederal Republic of Koryo and worked out and published '10-point programme of the great unity of the whole nation for the reunification of the country'. The proposal and the programme enjoy full support from broad segments of people, youths, political and public figures around the world as well as the Koreans in the north, the South and overseas.

"The Democratic People's Republic of Korea has put forward reasonable proposals for national reunification and peace overtures on more than 200 occasions ever since the country was divided and made every possible effort to realise them, but none of them have been realised due to the obstructions of the South Korean authorities."

The reporter expressed the hope that the delegates of youth and student organisations and portuguese youth and students present at the conference would continue to extensively wage on a worldwide scale the solidarity movement for supporting the efforts of the Korean people and youths for the independent and peaceful reunification of the country.

Choe Hyon-tok, vice-chairman of the Central Committee of the League of Socialist Working Youth of Korea (LSWYK) and head of the delegation of the LSWYK, delivered a supplementary report at the conference.

Neville Naidoo, president of the World Federation of Democratic Youth; Sadan Mukherjee, executive secretary of the World Peace Council; and delegates from different countries took the floor.

A letter to the great leader Comrade Kim Chong-il was adopted there.

A resolution supporting Korean reunification was also adopted.

Relations With Australia 'Being Normalized'

OW2302062195 Tokyo KYODO in English 0555 GMT 23 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 23 KYODO—North Korean Prime Minister Kang Song-san sent a formal letter to Australian Prime Minister Paul Keating last month, stressing improvement of bilateral relations, a Seoul agency monitoring North Korean reports said Thursday.

The Naewoe Press said several signs, including mention of Kang's letter to Keating, have recently appeared in the North's state-run media, indicating relations between North Korea and Australia are being normalized.

North Korea's media reported Tuesday that a delegation from Australia has arrived in Pyongyang, Naewoe Press said. Also, the government newspaper MINJU CHOSON (Democratic Korea) ran an article covering the natural environment, resources and industry in Australia, the agency said.

The newspaper article noted that North Korea and Australia established diplomatic relations July 31, 1974, it said.

North Korea, however, severed diplomatic relations with Australia in October 1975, taking issue with Australia's support for South Korea's bid to join the United Nations, the Naewoe Press report said.

Cuban, Australian Delegations Arrive 21 Feb

SK2102233595 Pyongyang KCNA in English 2207 GMT 21 Feb 95

[FBIS Transcribed Text] Pyongyang, February 21 (KCNA)—A Cuban Government trade and economic delegation headed by Minister of Foreign Trade Ricardo Cabrisas Ruiz and a delegation of the Australia-Korea Council headed by Chairman Bill Hartley [name as received] arrived here today by plane.

Official: Kim Chong-il To Attend Sport Festival

OW2202052795 Tokyo KYODO in English 0454 GMT 22 Feb 95

[FBIS Transcribed Text] Beijing, Feb. 22 KYODO—North Korea has extended an invitation to tourists from around the world to attend a sports and cultural festival in Pyongyang, a North Korean official said in Beijing on Wednesday [22 February].

The officials said North Korea's de facto leader Kim Chong-il will attend the festival.

The Pyongyang International Sports and Cultural Festival for Peace will begin on April 28, with some 20,000 international tourists expected to visit the capital, including "Japanese and Americans," said Kim Pyong-hwan, North Korea's tourism representative in Beijing.

"Respected leader Comrade Kim Chong-il will also attend the festival," he said.

But South Koreans holding South Korean passports are not invited, although South Koreans traveling on passports of other nations are welcome, he said.

Kim Chong-il Receives Letter From Liaison Group

SK2102103995 Pyongyang KCNA in English 1021 GMT 21 Feb 95

[FBIS Transcribed Text] Pyongyang, February 21 (KCNA)—The great leader Comrade Kim Chong-il received a letter from the participants in an enlarged meeting of the Secretariat of the International Liaison Committee for Reunification and Peace in Korea held in Paris.

The letter says that all the participants in the meeting expressed deep condolences over the death of respected President Kim Il-song and paid highest homage to him, highly estimating the historical exploits he performed for the independent and peaceful reunification of Korea and the human cause of independence.

They manifested their conviction that Korea would certainly be reunified at an early date because there are the three principles of independence, peaceful reunification and great national unity, the proposal for founding the Democratic Confederal Republic of Koryo and the 10-point programme of the great unity of the whole nation which were put forward by President Kim Il-song and because Comrade Kim Chong-il is carrying forward to brilliant accomplishment the cause of President Kim Il-song, the letter says.

It states that the enlarged meeting decided to intensify the international solidarity movement to make 1995 an epochal year in achieving the reunification of Korea in the 1990s and, to this end, proclaimed 1995 "a year of international solidarity for the reunification of Korea in the 1990s" and adopted an action program to strengthen the international solidarity movement still further.

The participants of the meeting, it adds, expressed their determination to vigorously conduct the international solidarity movement to achieve the cause of Korea's reunification within this century, true to the behests of President Kim Il-song.

It sincerely wishes Comrade Kim Chong-il good health and a long life.

Kim Chong-il's Care for Overseas Koreans Praised

SK2202045395 Pyongyang KCNA in English 0407 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 21 (KCNA)—The benevolent and magnanimous politics of the great leader Comrade Kim Chong-il with the idea of "believing in the people as in heaven" as his motto has been fully applied to overseas Koreans, too.

He extended a message of consolation to the chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon) over the heavy losses suffered by Koreans in the recent big earthquake in Japan and then sent a relief fund amounting to one million U.S. dollars to them.

He also sent a total of 300,350,000 yen (Japanese currency) in educational aid fund and stipends for Korean children in Japan in September and December last year and in February this year.

Considerate of the overseas compatriots' longing for the homeland, he opened to them the way of free travel to the homeland and has hotels built for them in Mt. Kumgang, a world-famous mountain, and other areas.

He highly praises overseas compatriots who devote themselves to the homeland, the nation and the country's reunification as patriots and men of distinguished service.

Under his deep loving care, the high-rise Yun I-sang concert hall named after a well-known composer was built in Pyongyang and factories, enterprises and establishments named after overseas compatriots such as Kim Man-yu hospital, the Kyong Yon Aeguk soft drink factory and the Choe Chong-nak Aeguk garment factory, and monuments for conveying long their patriotic deeds made their appearances.

Comrade Kim Chong-il cordially embraces even those who committed crimes against the nation in the past, if they do good things for national reunification now, regardless of their past.

It was under his great benevolence that Choe Tok-sin who had engaged himself in anti-communist activities as

South Korean "foreign minister" and army corps commander of the puppet army could spend the evening of his life for the country and the nation.

Comrade Kim Chong-il designated a scenic spot around the tomb of King Tongmyong, the founder of Koguryo, a powerful country, as an area of a cemetery of overseas compatriots, taking into consideration the ardent desire of overseas compatriots to be buried in the homeland after their death.

Deeper was the loving care shown by him for Koreans overseas in the days when the whole nation and the whole country were overwhelmed by the bitterest sorrow at the sudden death of the fatherly leader President Kim Il-song.

Though he felt more sad than any others, Comrade Kim Chong-il arranged a consolation party for overseas compatriots who were participating in the mourning ceremony. And he saw to it that the 80th birthday (August 11) of Son Won-tae from the United States was celebrated as a grand state function.

Such love to be conveyed long as a legend in the history of the Tangun nation is only a part of the story about the boundless paternal love of Comrade Kim Chong-il for Koreans overseas.

More Foreign Heads of State Greet Kim Chong-il

SK2202054395 Pyongyang KCNA in English 0421 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 22 (KCNA)—The great leader Comrade Kim Chong-il received messages of greetings from foreign heads of state on his birthday.

The messages came from Glavcos Kliridhis, president of the Republic of Cyprus; Blaise Compaore, president, head of state and chairman of the Council of Ministers of Burkina Faso; Bakili Muluzi, president of the Republic of Malawi; Jerry John Rawlings, president of the Republic of Ghana: Henri Konan Bedie, president of the Republic of the Cote d'Ivoire; Yahya A.J.J. Jammeh, chairman of the Armed Forces transitional ruling council and head of state of the Republic of Gambia; France Albert Rene, president of the Republic of Seychelles; Lester Bryant Bird, prime minister of Antigua and Barbuda; Owen Arthur, prime minister of Barbados; and Kennedy Simmonds, prime minister of the St. Kitts-Nevis.

The messages extend warmest congratulations to Comrade Kim Chong- il on his birthday and wish him a long life in good health.

In the messages the heads of state express the belief that the friendly and cooperative relations between Korea and their countries will grow in strength and develop in conformity with the mutual interests of the Korean people and their peoples.

More on Foreign Media Marking Kim's Birthday

SK2202052295 Pyongyang KCNA in English 0428 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 22 (KCNA)—Foreign mass media published articles and broadcast special programs to celebrate the birthday of the great leader Comrade Kim Chong-il.

They included the Russian papers MOLNIYA, PATRIOT, VETERAN and GLASNOST, the Burundian paper LE RENOUVEAU, the Nigerian paper DAILY CHAMPION, the Zimbabwean paper PEOPLE'S VOICE, the Thai papers XING SAN RIBAO, SIN CHONG YUAN PAO and BAN MUANG, the Pakistani paper HAEDER, the Ukrainian paper TAVARISHI, the Syrian paper AL USUBUU AL RIADIH, the Lebanese paper AL SHARQ and the Romanian magazine EUROPA.

The articles were headlined "Congratulations to Comrade Kim Chong-il," "H.E. [His Excellency] Kim Chong-il, the Great Leader of Korean People," "Long Life in Good Health to H.E. Kim Chong-il, Great Leader," "People's Leader, Theoretician," etc.

They introduced Comrade Kim Chong-ilbss ideological and theoretical achievements, his politics of love and trust and the respect and reverence of the revolutionary people of the world for him.

Thai, Congolese and Burundian televisions, Radio Fiesta of Nicaragua, Radio Burundi, Radio Mozambique and Radio Metropolitano of Cuba broadcast special, congratulatory programs on the holiday of February.

Kim Chong-il Chuche Study Group Formed in Zaire

SK2202053695 Pyongyang KCNA in English 0430 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 22 (KCNA)—The Kinshasa Kim Chong-il Study Group of Chuche Idea was formed in Zaire on the birthday of the great leader Comrade Kim Chong-il.

Speaking at the inaugural meeting held in Kinshasa on February 11, Cang Nzerien Jerome, chairman of the preparatory committee for the formation of the group, said the chuche idea founded by the great leader President Kim Il-song and developed and enriched by the great leader Comrade Kim Chong-il has become the banner of struggle and life for the progressive people of the world. He stressed that they will struggle with the chuche idea as the action programme of the Zairean people and the national movement of the Genuine Lumumbist Combatants of Zaire.

The rules of the group were published and Cang Nzerien Jerome was elected chairman of the group.

A message of greetings to Comrade Kim Chong-il was adopted at the meeting.

Kim Chong-il Thanks Bridge Construction Groups

SK2202052395 Pyongyang KCNA in English 0424 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 22 (KCNA)—The great leader Comrade Kim Chong-il sent thanks to the Central People's Committee, the State Agricultural Commission, the Foreign Ministry, the Pyongyang municipal administrative and economic committee, the Mangyongdae district office of restaurants, the Changdok school and other central organs and municipal organs, enterprises and schools in Pyongyang, and to many officials, working people and students in Pyongyang municipality, Sinuiju City, North Pyongan Province, Hyesan City, Yanggang Province, Kanggye City, Jagang Province, Pyongwon County, South Pyongan Province, and Kaesong municipality.

They had actively assisted the soldiers of the Korean People's Army and the Korean People's Security Forces participating in the construction of the Chongnyu Bridge (second-stage) and Kumnung Tunnel No. 2.

Kim Chong-il Sends Birthday Table to Scientist

SK2202053895 Pyongyang KCNA in English 0435 GMT 22 Feb 95

[FBIS Transcribed Text] Pyongyang, February 22 (KCNA)—The great leader Comrade Kim Chong-il sent a 60th birthday table to Dr. and assistant Prof. Kim Song-kuk, a section chief of the Central Institute of the Mining Industry of the National Academy of Sciences and a recipient of the title of merited scientist.

The table was conveyed to him on Monday.

The scientist has contributed to the development of the chuche- oriented phosphate fertilizer industry of the nation and developed new ore dressing methods of some 20 kinds of minerals.

Upon receiving the birthday table amid blessings, he renewed his determination to study and complete new ore dressing methods and make an active contribution to making Korea more prosperous.

"It is a duty and obligation of a revolutionary to remain loyal to the great leader Comrade Kim Chong-il," he said.

'Reverence,' 'Longing' for Kim Il-song Growing

SK2102103795 Pyongyang KCNA in English 1016 GMT 21 Feb 95

[FBIS Transcribed Text] Pyongyang, February 21 (KCNA)—Reverence and longing for the great leader President Kim Il-song are growing more fervent among the Korean people as days and months go by.

All people of the country who made oaths in the bitter grief at the sudden loss that came like a bolt from the blue express their overflowing feelings in verses and proses, becoming poets and writers.

More than 3,500 literary productions have been created and published by people throughout the country since July last year when President Kim Il-song passed away, paying tribute to the memory of the fatherly leader and deeply revering him.

Poems hold a large proportion of them.

Typical of them are the poem "The Sun Will Shine Forever" by Pak Chol-ho, a worker of the Yongdung coal mine, the poem "The Leader Will Always Cultivate This Land" by Yang Kwang-sun, a member of the Aewon cooperative farm in Yonggang County, Nampo Municipality, the poem "Oath Made in Tears" by Kim Chun-ok, a noncommissioned officer of the Korean People's Army, the child poem "He Is Alive in the Hearts of Flower Buds" by An Chol-min, a child of the Pyonghwa kindergarten in Wonsan, Kangwon Province, the words of song "The Leader Will Always Be With Us" by Son Yong-ho, a teacher of Kim Il- song University, and "The Mind of All People" by Kim Kum-hui, a worker of the Sinuiju fountainpen factory in the North Pyongan Province.

No Chol-ung, a worker of the October 13 youth smeltery, wrote 14 poems including poems "O, Sky, Fall Down! Earth, Break!" and "We Are Waiting for Another Day of Miracle" under the title "Ten Days and Ten Nights Before the Great Bier," by wielding his pen every day in the mourning period, recalling in tears the great favors bestowed by the fatherly leader.

Among the works there are the essay "Great Behests" by Ham Chang- in residing in Namsan-tong, Wonsan, Kangwon Province, and the fragmentary thoughts "Before the Tower of Wishes for Longevity" by Kim Sok-san of the Tanchon City construction corps.

'Human Rights Offensive' of Imperialists Viewed

SK2302103895 Pyongyang KCNA in English 1024 GMT 23 Feb 95

["Human Rights Offensive of Imperialists Is Doomed to Failure"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 23 (KCNA)—The persistent "human rights" offensive of the imperialists is part of their [word indistinct] to tarnish the image of socialism and isolate and stifle it, says NODONG SINMUN in an article today.

Declaring that [word indistinct] is doomed to failure, the author of the article says,

The imperialists are trying to destroy the faith of socialism and incite anti-communist sentiments among the peoples of the socialist countries by bullying public opinion [words indistinct] there is the human rights problem in those countries.

The imperialists tell a lie when they allege that the socialist countries are "society of dictatorship" here of freedom and human rights are guaranteed.

In taking the "human rights" offensive against the socialist countries, styling themselves a "human rights judge," the imperialists seek to implant in these countries "pluralism", that is, "multiparty system" in politics, "liberalisation" in ideology and "diversification" in ownership and thus foster individualism and liberalism, destroy collectivism and break the unity and cohesion of the popular masses and create disorder and confusion in society. By doing so, they attempt to pull down the foundations of socialist society.

The imperialists claim that the capitalist society guarantees human rights. But this is a ruse to create an illusion about capitalism among peoples and conceal the reactionary nature of the capitalist society.

The "human rights" on the lips of the imperialists are, in essence, fake "human rights" which guarantee freedom and personal luxury and glory to those with money and power, but impose non-right and death on the working masses with no money and power. The "defence of human rights" advertised by them is a window dressing for beautifying the unequal and corrupt capitalist society where "the rich get richer and the poor get poorer". It is self-evident that there can be no true equality between the capitalist class which wallows in luxury, wielding unrestricted power, and the working masses who do not know where the next meal is coming and there can be no true human rights in those countries.

The imperialists deny the working people the elementary right to existence and pursue anti-popular policies, racial and national discrimination policy and colonial policy. They are not in a position to talk about human rights. Their "human rights" offensive can never work with anyone.

Iron Works Achieves 'Innovations in Production'

SK2102101695 Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 20 Feb 95

[FBIS Translated Text] The working class of the Kim Chaek Iron Works, who have turned out in higher spirits and with the great pride in having marked, with shining labor success, the greatest national festive event of February, is achieving new innovations in production, while forcefully displaying the might of the large-scale iron and steel production base, which was provided under the wise leadership of the great leader [suryongnim] and the party.

The workers there have increased the production of pig iron and steel by making the most of the already existing production potential. They have, in particular, given priority to the production of rolled steel and increased its production by 115 percent during the first month of this year, compared with the corresponding period of last year; and they are continuing to increase the production of the rolled steel.

In addition, they are tapping many reserves to increase production, while working out measures to save electricity to the utmost at steel-making furnaces while reducing the consumption of materials, including raw materials, secondary raw materials, and fuel, at every stage of production.

South Korea

Seoul Approves North Women's Delegation Visit

SK2302025095 Seoul YONHAP in English 0242 GMT 23 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—The South Korean Government approved Thursday the visit of a North Korean delegation to "the third Asian Women's Solidarity Forum on Military Sexual Slavery by Japan" to be held here from Feb. 27 through March 1.

The seven-member North Korean delegation will be led by Hong Son- ok, chairwoman of the North Korean Commission for Japan's Compensation for Comfort Women During World War II. The other six are Choe Kum-chun, Yi Un-sim, Pak Song-ok, Kang Tok-sun, Kim Song- nim and Pak Yong-sim.

North Korea recently notified "the Korean Council for the Women Drafted for Military Sexual Slavery by Japan," host of the international forum, that its delegation will visit the South through the truce village of Panmunjom on Feb. 26.

First Phone Call Made to North in Seven Months

SK2302062095 Seoul CHUNGANG ILBO in Korean 23 Feb 95 p 1

[By reporter Kim Chin-kuk]

[FBIS Translated Text] The North-South exchange of telephone messages resumed on 23 February. This is the first time in seven months that such a telephone exchange has taken place.

A National Unification Board official said: On 23 February, North Korea received a telephone message from South Korea proposing a liaison officials' meeting to discuss the visit to South Korea by seven North Korean delegates to an Asian solidarity meeting on comfort women for the Japanese troops.

This official also said that at the liaison officials meeting, North and South Korean officials will discuss memoranda of personal safety assurances for the North Korean delegation's visit to South Korea and its itinerary.

North Korea has refused to receive telephone messages from South Korea since last 4 August, after the South Korean authorities did not allow people to visit North Korea to express condolences over Kim Il-song's death.

This official also said: North Korea had refused to receive telephone messages since last August. Therefore, North Korea's acceptance of the telephone message this time is an important sign of change.

DPRK Accepts Message

OW2302073795 Tokyo KYODO in English 0656 GMT 23 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 23 KYODO—South Korea on Thursday [23 February] sent a telephone message to North Korea proposing a border contact in the truce village of Panmunjom on Sunday morning, a spokesman for the National Unification Board said.

"We propose holding talks at the truce village of Panmunjom at 9 A.M. on Sunday to discuss details of a North Korean delegation's passage through the border village of Panmunjom, conveniences and guarantees of personal safety during its stay in Seoul," the message said.

The government in Seoul said earlier it will allow a seven-member North Korean team to visit Seoul on Sunday to participate in a rally supporting Asian women who were forced into sexual slavery by the Japanese military during World War II.

The North Korean invitees, including former sex slaves and their supporters, plan to cross into South Korea through the village at 10 A.M.

North Korea accepted the South Korean message at 10 A.M., amid speculation that the cross-border talks may become the first since last June, when government officials of both sides met to discuss procedural matters for the first-ever inter-Korean summit originally scheduled in late July.

The summit was canceled due to the sudden death of North Korean President Kim Il-song on July 8.

Pyongyang has refused to accept South Korean offers for talks, as well as any telephone messages, since Aug. 4, taking issue with Seoul for not sending a condolatory mission after Kim's death.

New Unification Minister's DPRK Policy Viewed

SK2302044895 Seoul TONG-A ILBO in Korean 23 Feb 95 p 5

[By reporter Pak Che-kyun]

[FBIS Translated Text] What color is the North Korean policy of Na Ung-pae, deputy prime minister and minister of the National Unification Board [NUB]? He has been involved in unification policies since he belonged to the National Assembly Foreign Affairs and Unification Committee in May 1993. Accordingly, it is possible to presume his view of North Korea from his attitude shown in the National Assembly committee.

He is basically a conservative. He has stressed on many occasions the need to firmly adhere to principles toward North Korea, as well as to the need to take strong policies to maintain the principles.

He is also, however, believed to be very reasonable. In particular, people say that, after he became chairman of the National Assembly Foreign Affairs and Unification Committee in July 1994, he played a reasonable mediation role between the government and the National Assembly over the issue of accepting the Geneva agreement between North Korea and the United States.

It is expected that his "reasonable conservative" attitude will be shown in his policy on North Korea in the future. In other words, he is expected to show a flexible attitude in solving problems reasonably, if necessary, while adhering to principles toward North Korea.

It seems that Deputy Prime Minister Na's reasonable way of thinking is related to the fact that he is a well-known economic expert. He has had ample experience in the economic area as he was president of a company, finance minister, trade and industry minister, and deputy prime minister for economy. He is the first economic expert appointed to the post of deputy prime minister for unification.

Both at the 21 February news conference on his impressions of being appointed deputy prime minister and at the ceremony of his inauguration held in 22 February, he stressed he would actively promote South-North economic cooperation. Accordingly, it seems that he will strengthen the attempt to solve problems in South-North relations by economic ways, such as South-North economic cooperation.

It is expected that this feature of Deputy Prime Minister Na will influence total policies on foreign affairs and security because, under the current system, the deputy prime minister for unification is head of the foreign affairs and security team.

Accordingly, it seems that policies on foreign affairs and security will maintain the conservative color of the foreign affairs and security team, while being beefed up with an economic approach toward diplomatic and unification issues. In conclusion, it is observed that a pragmatic policy will be pursued.

Of course, Deputy Prime Minister Na shoulders the task to be in harmony with the existing foreign affairs and security team. He established a close ties with Foreign Minister Kong No-myong and Yu Chong-ha, senior presidential aide on foreign affairs and security, through the National Assembly Foreign Affairs and Security Committee. However, he has almost no ties with Kwon

Yong-hae, chief of the Agency for National Security Planning, or with Defense Minister Yi Yang-ho.

Meanwhile, some people are concerned about the background of Deputy Prime Minister Na. He is a lawmaker who has a district constituency (Yongdungpo-ku) in Seoul. That is, it is doubted that he, as a lawmaker, will be able to concentrate on making unification policies alone. Particularly with the general elections about a year ahead, it is considered natural for him to devote his energy to managing his favorable voting constituency unless he quits his position as a lawmaker.

The NUB employees are concerned about what would happen if Deputy Prime Minister Na handles unification policies as an extension of his activities to get votes. Asked by reporters after the inauguration ceremony on 22 February about his plan for election campaigns, Deputy Prime Minister Na avoided answering immediately, saying that he "would answer the question later."

North Official Plans To Attend UN Conference

SK2302042095 Seoul KYONGHYANG SINMUN in Korean 23 Feb 95 p 1

[Report by Yi Sung-chol]

[FBIS Translated Text] Last week, North Korea revealed that Vice President Kim Pyong-sik, who is seventh in North Korea's power hierarchy, will attend "the summit conference on social development" slated to be held in Copenhagen, Denmark, from 11 March.

A government official confirmed on 22 March that "Last week, North Korea officially informed the UN Secretariat, which is preparing for the opening of the summit conference, of the vice president's attendance," and added "The participation level of North Korea's leadership is somewhat lower than what we previously expected."

Tourist Recruitment for North's Festival 'Low'

SK1802011095 Seoul YONHAP in English 0014 GMT 18 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 18 (YONHAP)—The number of foreign tourists to visit North Korea on the occasion of the Pyongyang International Sports and Culture Festival slated for April 25 through May 2 is disappointingly low, tourism industry sources here said Saturday [18 February].

Tourists recruited for the visit so far in the United States reach only 115—85 in Los Angeles and 30 in New York, according to sources at the Korea National Tourism Corp. (KNTC).

Engaged in the tourist recruitment for the Pyongyang festival are mainly tourist firms run by Korean residents, like Paradise, Chungsobu, Koryo Munhwa, Hana and Chongum in Los Angeles, T&P America in New York and Pyonghwa in Chicago.

Paradise Tourism Co. has managed to sign up 50 tourists and Chungsobu Tourism firm 35. In New York, T&P Tourist Co. has collected 30 applications so far, with the remainder achieving little result.

The tourists gathered by the tourist firms in the United States are mostly ethnic Koreans, having U.S. residential rights or citizenship, who have split families in the North, according to the KNTC.

Americans are reportedly little interested in the 10-night 11-day North Korea travel package costing 3,490 U.S. dollars, which is one and a half times more expensive than the cost for a similar tour of South Korea.

In the meantime, recruitment of tourists in Japan for the North Korean festival is to be launched in earnest at the end of this month, according to the KNTC.

Government Urges N-S DMZ Eco-Research Project

SK1702071095 Seoul YONHAP in English 0702 GMT 17 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 17 (YONHAP)—The government is pushing for a joint five-year research project on the ecosystem in the entire Demilitarized Zone (DMZ) between South and North Korea in a commemorative project marking the 50th anniversary of the national liberation, the Forestry Administration said Friday [17 February].

According to the "Research Plan on the DMZ Ecosystem and Resources To Commemorate the 50th Anniversary of the National Liberation," the Forestry Administration will officially propose the plan to the North after consulting with the National Unification Board (NUB) and the Defense Ministry in the first half of this year.

If North Korea agrees to the proposal, a research team of South and North Korean and foreign ecologists will carry out the overall research on the more than 99,174 hectare-wide DMZ.

The administration is consulting with the Ministry of Finance and Economy to secure 200 million won (about 250,000 U.S. dollars) for the plan from the reserve fund in this year's government budget.

After the research is concluded, the government will work out a comprehensive plan for forest management in the region, while designating preservation zones and a wildlife sanctuary inside the DMZ.

North Officials Disclose Industrial Site Plan

SK2302040995 Seoul YONHAP in English 0148 GMT 23 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—North Korea is set to intensively develop an industrial complex exclusively for small- and medium-sized businesses to lure more foreign investment to the Najin-Sonbong free trade zone.

This program was confirmed by a delegate of the United Nations Development Program (UNDP) who participated in the fifth international conference for the development of the Tuman River basin. The meeting was held in Niigata, Japan from Feb. 16 through Feb. 18.

Michael Underdown, who is in charge of the UNDP's Tuman River development program, reportedly said that North Korean officials he contacted in Pyongyang recently disclosed a plan to start developing the industrial complex in April, for completion in October, in the northern part of Najin city to accommodate foreign small- and medium-sized businesses.

Underdown also said that the North Korean officials asked for the UNDP to extend positive cooperation to attract foreign investment in the complex.

Underdown's remarks were revealed by Pak Sung-san, director of the East Asian Economic Research Center, who also participated in the conference as a South Korean representative.

Park said that the projected industrial site in North Korea is estimated to be 500,000 to 1,000,000 pyongs (one pyong equals 3.3 square meters) and will have basic facilities there for the operation of the small industries.

Industry sources here said that North Korea's program is designed to invite small businesses instead of large equipment industries, as South Korean large business groups, who have visited the North so far, are reluctant to invest there due to the poor infrastructure of the Najin-Sonbong free economic trade zone.

North Korea proclaimed the free trade zone in 1991, but there has been little foreign investment results so far.

Late last year, North Korea reportedly asked the UNDP to sound out the possibility of South Korean small businesses' investment in the free trade zone, and accordingly the UNDP's representative in Seoul is expected to recommend some 10 businesses to North Korea soon.

In this connection, Tongnam Bank President Kim Chong-kyu disclosed Tuesday that small industries in Pusan and South Kyongsang Province are pushing ahead with their advance into the North Korean trade zone through the UNDP. Their lines of business are mostly footwear, rubber and tire production.

According to the UNDP, North Korea strongly hopes that South Korean businesses will advance into the north, but they are adamant that the South's advance should be limited to the Najin-Sonbong area for fear that the North Korean political and social system may be jeopardized by its open-door policy.

Businesses Accused of Bribing DPRK Agents

SK1802063095 Seoul CHOSON ILBO in Korean 18 Feb 95 p 2

[By reporter Pak Sung-chun from Beijing]

[FBIS Translated Text] Pak Kyong-yun (61), chairman of the Mt. Kumgang International Group, revealed that to visit North Korea ROK businessmen offered money and goods to North Korean agents conducting activities in Beijing, and that these ROK businessmen have hailed Kim Il-song's 10-Point Program. Chairman Pak also hinted that apart from offering money and goods to North Korean agents in Beijing, there is a possibility ROK businessmen may have directly provided money and goods to North Korean authorities when they visited North Korea. Chairman Pak, a Korean-American businesswoman who has been conducting work to lure investments to North Korea since 1988, visiting Beijing and Pyongyang, recently acted as an intermediary to lure ROK businessmen to visit North Korea. This was revealed in an interview with CHOSON ILBO and WOLGAN CHOSON in Beijing. During the interview, Chairman Pak said: "North Korea hopes overseas Koreans and national capitalists will help North Korea according to President Kim's 10-Point Program. There are rumors the ROK bribed them, but to my knowledge the North Koreans received the money and gave it to the related organizations."

Chairman Pak revealed: "Thus, the money the North Koreans received was not bribes. It is a rule in North Korea to give money and goods received from outside to the related organizations. This is part of President Kim Il-song's 10-Point Program: those who have money contribute money to the fatherland's construction, those who have knowledge contribute knowledge, and those who have power contribute power."

Daewoo Group Reportedly Proposes Deal to DPRK

SK2102074295 Seoul YONHAP in English 0727 GMT 21 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 21 (YONHAP)—The Daewoo Business Group has reportedly tempted North Korea with the offer to invest 300 million U.S. dollars towards the annual production of home appliances worth 500 million dollars, all of which will be shipped abroad, if and when the Pyongyang regime opens its Nampo Port to it.

"When a Daewoo investigation team visited the North in January, they had made the proposal to North Korea," disclosed Pae Sun-hun, newly-appointed chairman of Daewoo Electronics Co., while meeting the press Tuesday at the Hilton Hotel in Seoul.

North Korea had shown a very positive response to the offer, according to the chairman.

The appliances will include refrigerators, washing machines, television sets and microwave ovens, he said.

North Koreans Suspected of Counterfeiting Dollars

SK2002091095 Seoul CHUNGANG ILBO in Korean 20 Feb 95 p 22

[Report by correspondent Yu Sang-chol from Hong Kong]

[FBIS Translated Text] On 19 February, the HONGKONG STANDARD reported that 100-U.S. dollar counterfeit bills, which are believed to be made by North Koreans living in Macao, have been introduced into Hong Kong, thus placing all Hong Kong banks on alert.

These counterfeit bills are known to be the best quality of all counterfeit bank notes ever discovered in Hong Kong. For this reason, they are called "super bill" [two preceding words rendered in English]. A similar type of U.S. dollar counterfeit notes worth $100,000 were discovered last June. Following this, it was learned recently that $250,000 worth of counterfeit bills are again in circulation, to the surprise of all banks.

DPRK Classifies Workers, Wages Into 5 Groups

SK2002013995 Seoul KYONGHYANG SINMUN in Korean 18 Feb 95 p 5

[NAEWOE News Agency report]

[FBIS Translated Text] North Korea reportedly has five wage scales and pays its workers accordingly.

According to recently acquired data on North Korea, Pyongyang classifies workers into a first group of light-load workers, including assembly workers; a second group of simple-duty workers, including electricians and milling machine workers; a third group of heavy-load workers, including builders; a fourth group of hazardous-duty workers, including locomotive engineers; and a special group of melters and hydrochloric acid plant workers. However, workers in the same group are paid differently according to their labor achievements, quality, and career. Wage differences are 1.3 to 1.5 won a year. One North Korean won equals 360 South Korean won [.45 U.S. dollars].

In particular, they receive different amounts of grain according to each group. For example, first- and second-group workers receive 700 grams a day, third-group workers receive 800 grams, and fourth- and special-group workers receive 900 grams. In addition, 70 percent of North Korean workers are second-group workers.

In the meantime, this food rationing regulation is not being implemented for now due to the current grain shortage. Furthermore, North Korean workers receive an average of 60 won (21,600 South Korean won) [27 U.S. dollars] a month rather than 100 won, the amount it had been thought North Korean workers earn. This attracts attention. North Korean workers earn 60 won a month because they receive approximately 60 percent of their basic wage of 100 won since the operating rates of plants are decreasing due to power and material shortages.

Supply of Reactors Under U.S. Brand Opposed

SK2302052495 Seoul CHOSON ILBO in Korean 23 Feb 94 p 3

[Editorial: "Conspiracy To 'Subcontract the Light-Water Reactors Project'"]

[FBIS Translated Text] Assistant Secretary of State Winston Lord has arrived in the ROK to discuss how to ensure the implementation of the North Korea-U.S. nuclear agreement. He arrived after North Korea rejected the ROK-model light-water reactors at the U.S.-North Korea experts meeting in Berlin and after a North Korean Foreign Ministry spokesman threatened to abrogate the nuclear agreement. Therefore, we cannot but view that the United States, having sensed that its nuclear negotiations with North Korea had limits, intends to achieve a breakthrough by securing concessions from the ROK Government.

As a matter of fact, the United States already made remarks that lead us to this view. It has been reported that the United States plans to use a U.S. enterprise as a mediator to pacify North Korea, which is opposed to dealing direct with the ROK. And, it also has been reported that the ROK would manufacture light-water reactors and supply them to North Korea under a U.S. brand. What especially embarrasses us is the fact that U.S. Under Secretary of Defense Walter Slocombe told reporters that "It is not necessary to write 'provided by the ROK' on the reactors in large characters." In short, we view this is a conspiracy to have a U.S. enterprise play a symbolic role in supplying light-water reactors to North Korea and subcontract the light-water reactors supply project to an ROK enterprise.

This approach may conform to the U.S. policy toward the North Korean nuclear problem. The United States has good reason to believe that even though North Korea is suspected of having one or two nuclear weapons, only if the United States manages to maintain the status quo will it be able to exercise leadership on nuclear control and have the Nuclear Nonproliferation Treaty extended.

As long as North Korean nuclear weapons are not a threat to the U.S. mainland, the United States may not want to complicate the whole matter by making unnecessary efforts to completely clear up the nuclear suspicion.

However, our case is different. We are of the position that even half of a nuclear weapon owned by North Korea would nullify the denuclearization declaration. We cannot tolerate the possibility that despite worldwide nuclear disarmament, we are the only ones who cannot enjoy freedom and peace because of North Korea's nuclear threats.

Therefore, if the United States assesses North Korea's nuclear threats from its own perspective and persuades us to provide cash and services to supply light-water reactors to North Korea, it will not be able to win consent from all our people, including those in the government, the National Assembly, and the media. Needless to say, we should supply light-water reactors to North Korea in ways that conform to our own policy toward the North Korean nuclear problem. This is what we meant by the ROK-model light-water reactors.

If the United States reasons that because light-water reactors manufactured using the ROK's cash and services are an ROK model, the ROK has no reason to get involved any further, the purpose of the ROK's supplying light-water reactors to North Korea will be missing. If this is the case, the United States should supply light-water reactors to North Korea using its own cash and services. We cannot but make clear that we will provide cash and services only when light-water reactors are supplied to North Korea in ways that we support.

Seoul, U.S. Reaffirm Armistice Agreement

SK2302090395 Seoul YONHAP in English 0850 GMT 23 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—South Korea and the United States reaffirmed Thursday that the Korean Armistice Agreement should be maintained until South and North Korea reach an agreement on a peace pact to replace the cease-fire treaty.

During high-level talks between Yi Chae-chun, assistant foreign minister for political affairs, Winston Lord, assistant secretary of state for East Asian and Pacific affairs, and other officials from the United States and South Korea, the two sides discussed measures on how to tackle pressure from the North to expel Polish members of the Military Armistice Commission (MAC) from the North Korean side of the Demilitarized Zone, Foreign Ministry Spokesman Yu Kwang-sok said.

Yu, however, refused to elaborate on what kind of measures they discussed.

The two sides also repeated the stand that North Korea must resume inter-Korean dialogue if it wants the nuclear deal with Washington implemented smoothly, according to the spokesman.

They agreed that the issue of providing light-water nuclear reactors to the North should be discussed further next week at high- level talks to be held in New York at the inauguration of the Korea Energy Development Organization (KEDO), said the spokesman.

The talks will continue Friday morning on the issue of whether to cancel or postpone the annual joint military exercise Team Spirit, said the spokesman.

Following the morning session Friday, Lord will meet with Foreign Minister Kong No-myong and Deputy Premier and Unification Minister Na Ung-pae in the afternoon. He will give a brief news conference at Kimpo International Airport Saturday morning before leaving Seoul.

USFK Begin To Map Out New Operation Plan

SK2002052695 Seoul CHOSON ILBO in Korean 18 Feb 94 p

[By reporter Yu Yong-won]

[FBIS Translated Text] It was learned on 18 February that the USFK [United States Forces in Korea] began to map out a new "ROK- U.S. Joint Operation Plan 5028" to adopt a "Win-Win" strategy that the U.S. Department of Defense developed toward the end of last year to give precedence to the Korean peninsula over the Middle East in an emergency. A high-ranking source well versed with the USFK said: "I have learned the USFK began to extensively revise the 'New ROK- U.S. Joint Operation Plan 5027,' a plan to defend the Korean peninsula, to adopt a 'Win-Win' strategy." He added: "This is completely different from the annual revision of the operation plan."

This source also said: "The USFK has not informed the ROK Armed Forces of this plan. New Operation Plan 5027 is not a USFK independent plan but an ROK-U.S. joint plan. Therefore, I believe the ROK and the USFK will begin consultations sooner or later. The ROK Armed Forces have begun to make preparations accordingly." The new operation plan reportedly will focus on a quick deployment of U.S. reinforcements and logistics in an emergency.

In the late 1980's, the ROK and USFK mapped out "Operation Plan 5027," a five-stage plan that calls for defeating North Korea's southward invasion and destroying the North Korean regime, then mapped out "New Operation Plan 5027" in 1992 after extensively correcting weak points of the previous plan.

Assembly Seeks Interparliamentary Ties With U.S.

SK2302065095 Seoul THE KOREA HERALD in English 23 Feb 95 pp 2, 11

[FBIS Transcribed Text] The U.S. Congress sometimes thwarts major policies put forward by the administration even when it is dominated by the political party to which the president belongs.

Friction may intensify between the Congress and the administration when the president belongs to a minority party.

As a result, accords on security arrangement or trade the Korean government has forged with the U.S. government, may be derailed in the face of opposition from the U.S. Congress.

The Korean National Assembly, which is working on Korea-U.S. inter-parliamentary cooperation, believes that it can help avert such a disaster if it is able to open a formal channel of dialogue and develop close ties with the U.S. Congress.

Rival political parties in Korea have agreed that the National Assembly will set up an in-house organization, the Council for the Korea-U.S. Inter-Parliamentary Cooperation, soon and urge the U.S. Congress to form the council's counterpart.

"We are pushing for the Council for the Korea-U.S. Inter-Parliamentary Cooperation," says Yim Chae-chu, a National Assembly official.

The council will have two groups of lawmakers - one dealing with diplomacy and security and the other handling economic affairs including trade, science and technology.

"The council will select 60 to 70 as its members from among the National Assembly members that are well versed in American affairs," says Yim, parliamentary diplomacy section chief at the National Assembly Secretariat.

When the council is established, the National Assembly plans to make a formal request to the U.S. Congress to set up a council for U.S.-Korea Inter-Parliamentary Cooperation.

At issue, however, is how the U.S. Congress will respond to the National Assembly's request.

"The U.S. Congress may not become enthusiastic to our overture, at least in the initial stage," says Rep. Namkung Chin of the opposition Democratic Party, who recently visited Washington for talks with U.S. congressional leaders.

Many U.S. lawmakers believe the U.S. Congress should be free from suspicions that it is a target of lobbying by foreigners.

The U.S. Congress has three inter-parliamentary groups for exchanges with their counterparts in Britain, Canada and Mexico.

In addition, it has U.S.-Japan and U.S.-German study groups.

Though the prospect is dim that the U.S. Congress will set up a group for exchanges with its Korean counterpart, the Korean National Assembly nonetheless voices the need for their close cooperation.

"It is necessary for us to make a more systematic and better-organized approach in our diplomacy toward the U.S. Congress," Yim says.

"We expect more U.S. lawmakers to become better aware of and friendlier to Korea when the Korea-U.S. parliamentary group promotes exchanges with the U.S. Congress," he says.

A ranking Foreign Ministry official welcomes the National Assembly's planned approach to the U.S. Congress as a good idea for supplementing his ministry's conduct of foreign policy.

He says closer inter-parliamentary cooperation will help the Korean government resolve thorny issues with the United States.

Rep. Namkung of the Democratic Party says that the U.S. Congress, which has exercised much influence on the Clinton administration's policy in the past, is certain to have a greater say as it is dominated by the Republican Party.

"The U.S. Congress is so powerful that it sometimes gains upper hands in policy decision against the administration" he says.

He cited as an example the Clinton administration's failure to obtain the Republican Party-dominated Congress' approval of its budget cut plan.

"With a new order emerging in Northeast Asia, we need to try to help the U.S. Congress formulate its policy in favor of our national interests," he says.

The National Assembly has maintained formal relations with its counterparts in 64 foreign countries through its inter- parliamentarians' friendship associations. One of the most active is the Korea-Japan Parliamentarians' Union.

"We have contributed to backing up the government's foreign policy on Japan through brisk exchanges of lawmakers of the two countries," says an official of the union.

It is yet to be seen whether or not the proposed Council for the Korea-U.S. Inter-Parliamentary Cooperation will grow up to match the Korea-Japan Parliamentarians' Union.

Accord Signed To Develop 'Largest' Farm in PRC

SK1702124695 Seoul YONHAP in English 0834 GMT 17 Feb 95

[FBIS Transcribed Text] Beijing, Feb. 17 (YONHAP)—A basic accord to develop the world's largest farm in Heilongjiang Province, China, was initialed Friday at Diaoyutai, the state guest house in Beijing, between the Dairyuk (Continent) Development Co. (DDC) Chairman Chang Tok-chin of South Korea and the State Farm Administration (SFA) of the Chinese Province Director Wang Xi-Lu.

The two sides have agreed to make total investments of 500 million renminbi (about 62.97 million U.S. dollars) in stages by the year 2004 in the four regions (330,000 hectare) of the province.

The DDC and SFA will share the development money at the ratio of 75 percent and 25 percent, respectively, the pact said.

A formal contract is scheduled to be concluded at the end of May or early June, when the State Planning Commission of China's State Council is expected to issue a go-ahead for the project, the DDC chairman said.

Aside from the grand project, the South Korean company has already been developing the three-river (Songhua, Usuli and Heilong) plain for plantation in the Heilongjiang Province, and has plans for a similar project in Jilin Province, according to the chairman.

Daewoo Launches PRC Car Audio Plant Project

SK1802004695 Seoul THE KOREA HERALD in English 18 Feb 95 p 8

[FBIS Transcribed Text] Daewoo Electronics Co. will establish a car audio plant with an annual production capacity of 1 million units in Tianjin, China, this year, a company spokesman said yesterday.

The project, launched early this month, will be completed by July at a cost of $6 million, he said.

The plant, to be set up within the Dagang Economic Technology Development Area, will produce 1 million units of finished car audio products and 500,000 units of decks in the first year of production, said the spokesman, adding that the production capacity will be raised to 2 million units of finished products and 3 million units of decks in the year 2000.

The plant will increase the number of its local employees from 400 in the initial year to 1,000 with target sales of $350 million in the year 2000, he said.

Korea-SRV Culture Exchange Group Inaugurated

SK1802090795 Seoul YONHAP in English 0851 GMT 18 Feb 95

[FBIS Transcribed Text] Inchon, South Korea, Feb. 18 (YONHAP)—An inaugural meeting of the Korea-Vietnam Culture Exchange Committee (KVCEC) was held Saturday afternoon at the Hotel Songdo Beach here.

Established to help second-generation Koreans in Vietnam, the KVCEC delivered 50 personal computers and 6,000 U.S. dollars to Nguyen Phu Binh, the Vietnamese ambassador to Seoul, at the session.

Among dignitaries attending were former Home Minister Choe Hyong- u and Inchon city Mayor Yi Yong-nae.

The KVCEC was established by the District 309-M (Inchon) of the Lions (Liberty and Intelligence of Our Nation's Safety) Club International, and Sim Yong-sik, the president of a local company, was elected the first chairman of the committee, officials said.

Korea Heavy Industries Begins Venture in SRV

SK1702005195 Seoul THE KOREA HERALD in English 17 Feb 95 p 8

[FBIS Transcribed Text] Korea Heavy Industries & Construction Co. (HANJUNG) concluded recently a contract with DHMF (Duyen Hai Mechanical factory) of Vietnam to set up a 60:40 joint venture in the Vietnamese biggest port city of Haiphong, a company spokesman said yesterday.

Yi Su-kand, president of HANJUNG, and Nguyen Van Toai, president of DHMF, signed the contract Feb. 10 to establish HANVICO (Han-Viet Heavy Industry Corp.) in Hanoi.

HANVICO plans to set up a factory on a space of 2,000 pyong (one pyong equals 3.3 sq. meters) in Haiphong by the end of October to produce steel and other materials structures.

Overseas Mission Chiefs Conclude Annual Meeting

SK1702071795 Seoul YONHAP in English 0536 GMT 17 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 17 (YONHAP)—Foreign Minister Kong No-myong Friday called on overseas mission chiefs to make efforts to continuously accommodate the rapidly changing international and domestic situations.

Minister Kong, in a closing address to the annual home meeting of the ministry's foreign mission chiefs, also urged the Ministry of Foreign Affairs to play a leading role in the country's globalization strategy, which he said is the only way for the country to survive the ever competitive world.

As many as 94 officials in foreign service gathered here Monday to discuss a variety of diplomatic issues centered on the globalization plan trumpeted by President Kim Yong-sam for five days.

Some of the diplomats will tour military barracks Saturday in the demilitarized zone, bordering North Korea, to inspect the security situation on the Korean peninsula and other provincial cities to publicize the ministry's diplomacy programs, according to ministry officials.

During the fourth day of meeting on regional issues Thursday, officials from South and Central American countries agreed on the need to strengthen the country's diplomacy in the region, which has boasted economic growth and to further trade relations.

They decided to proceed with a plan for Foreign Minister Kong to visit several South and Central American nations and for the exchange visits to Seoul by Kong's counterparts there.

On the East Asian regional forum, the envoys discussed political situations in Japan, China and other neighboring nations, and developments towards establishing the East Asia Economic Cooperation (EAEC), proposed by Malaysia in 1990, as a substitute for the Asia Pacific Economic Cooperation (APEC).

Envoys to Europe and Africa also held separate meetings to discuss regional issues, including the launching of the European Union (EU) and ways to enhance cooperation with third countries.

Effects of Increasing Prices of Imports Viewed

SK1902013695 Seoul THE KOREA TIMES in English 19 Feb 95 p 8

[FBIS Transcribed Text] Sharply rising prices of imported goods are expected to become a precarious factor in consumer prices.

The imported-goods price trend in January released by the Bank of Korea (BOK) showed that the prices soared 0.8 percent from last year's end and 11.8 percent from the same month last year.

Accordingly, both producers and consumer prices is highly likely to ascend, BOK officials worried.

By item, raw materials increased 14.4 percent from a year ago and basic raw materials rose 21 percent, they said.

But capital goods declined 0.2 percent from last year's end but 0.9 percent from a year before.

Consumer goods also decreased 0.1 percent from the previous month and 2.6 percent over 1993, according to the BOK.

Local Administrations Increase Export Levels

SK1802031395 Seoul YONHAP in English 0148 GMT 18 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 18 (YONHAP)—South Korea's local administrations have been stepping up export drives resulting in a significant increase in their exports.

Figures compiled by the Home Affairs Ministry revealed Saturday [18 February] that the 15 provinces and major cities signed exports contracts totaling 1,880.5 million U.S. dollars last year, with 45 different countries.

The amount represented an increase of an impressive 60 percent over the previous year when their exports reached 1,203.2 million dollars.

By area, Inchon topped the list with 402 million dollars followed by Kyonggi Province with 283.7 million dollars and South Kyongsang Province, 168 million dollars.

The contracts that Seoul won amounted to 82 million dollars and those that Cheju Province obtained 1.1 million dollars, the lowest.

A ministry official said the exports contracts were earned through the dispatch of overseas market exploration teams, the participation in overseas commodity fairs and the operation of sales booths at KOTRA (Korea Trade Promotion Corp.) outlets.

Market exploration teams were sent abroad on 48 occasions last year to obtain contracts totaling 1,226 million dollars.

For instance, Kyonggi Province earned contracts worth 271 million dollars in North and South America: Pusan 43 million dollars in North America and Europe: and Seoul 40 million dollars in Brazil and Peru.

Participation in international commodity fairs netted contracts amounting to 520 million dollars, and negotiations in direct sales booths in Chicago, Rotterdam, Tianjin and four other cities in four countries netted 130 million dollars.

OECD Criticizes Tax Office for Audit 'Leaks'

SK2202044195 Seoul THE KOREA TIMES in English 22 Feb 95 p 9

[By staff reporter Yi Chang-sop]

[FBIS Transcribed Text] The Organization for Economic Cooperation and Development (OECD) has criticized the Korean tax office for embarrassing foreign taxpayers here.

The Paris-based organization made the critical remarks when representatives met Korean government officials last week, according to Chang Tae-pyong, an official of the Ministry of Finance and Economy.

Chang was in turn embarrassed when OECD personnel questioned why the Korean tax office frequently leaks lists of foreign companies under investigation before its tax audits are completed.

The OECD was said to have asked Korea to institute systems to punish tax auditors who leak the names of multinational firms and foreign residents to the press before its tax investigations are completed.

By its actions, the Korean tax office has damaged them, they claimed. Even before the tax office concludes its audits, it has portrayed foreign firms and foreigners as "criminals and tax dodgers," Chang quoted OECD officials as having complained. Chang and other Korean officials returned from the informal meeting with members of the OECD Fiscal Committee, one of the 26 OECD sub-panels.

The OECD was said to have made clear that Korea should protect the confidentiality of taxpayers and give firms undergoing audits the opportunity to defend themselves before slapping taxes on them, he said.

The OECD was apparently referring to three German and British firms which have been undergoing audits from the Office of National Tax Administration. The three European companies have raised strong objections to the Korean tax rules, which they said are out of tune with international practices.

The OECD also was said to have been curious about the Korean tax office's annual regular publication of the 100 top taxpayers, a list which usually includes lawyers, TV personalities and certified public accountants. In the OECD view, the Korea tax office has "embarrassed" wealthy but honest taxpayers by publishing their names.

Furthermore, the tax office made public a plan to initiate special audits of Hyundai and Pohang Iron and Steel Co. but the announcement itself damaged their credibility, an OECD official was said to have complained.

Inside Korea, few disagree that the government is using the tax office as a tool to tame companies and people that are regarded as "problematic." But this kind of practice must be changed before Korea joins the OECD in 1996, Western businessmen here said.

The OECD and the Ministry of Finance and Economy are scheduled to hold a seminar to train Korean tax officials in the harmonization of the Korean tax system with OECD models in June in Seoul, the ministry said.

The tax office is explicit about using its audits as a tool for implementing national economic policy. The Office of National Tax Administration announced this week that it will "strengthen its audits of big-sized companies and minimize audits of small and medium-sized companies."

Its rationale is that the government sympathizes with the small and medium-sized companies which are suffering from financial problems and sluggish sales despite the 27-month economic expansion.

In a meeting with Korean businessmen at the Korea Chamber of Commerce and Industry, ONTA Commissioner Chu Kyong-sok said that only 3 percent of small and medium-sized firms will undergo audits this year, adding that tax audits will be strengthened at big firms. He said currently 5 percent of Korean firms undergo tax audits yearly.

But there is also internal criticism of the tax office for its "lukewarm and weak position on foreign firms in Korea." The Korea Tax Institute said due to lack of manpower and know-how, the Korean tax office has been unable to audit multinational enterprises here. It said more than 94 percent of the foreign residents here have failed to report their income to the tax office and that most of them are believed to have dodged taxes in 1992.

The KTI said tax officials are reluctant to check foreign firms out of fear of getting embroiled in disputes with foreign countries. Many Korean tax officials here said not a few foreign enterprises have sought to hide their tax evasion by claiming that the Korean tax laws are out of tune with international practices and that tax officials are quite arrogant.

Electronics Groups Take Vendor Firms as Partners

SK2202044295 Seoul THE KOREA TIMES in English 22 Feb 95 p 8

[FBIS Transcribed Text] An increasing number of electronics companies are opting to set up offshore manufacturing facilities to avoid trade barriers, but this time in close cooperation with vendor firms.

Industry sources said yesterday that the new pattern of taking vendor companies, mostly makers of parts and components, as partners is encouraging because of the need for enhancing productivity and maintaining quality.

"In many cases, companies which set up foreign manufacturing facilities run into a number of problems, including language and transport of parts and components from home," one LG Electronics official explained.

He said his company has invited seven vendor companies to participate in a project to set up an industrial complex in Northern Ireland for the manufacture of television sets and microwave ovens.

The complex, which should be in place by next May, should be able to get off to a brisk start with the assistance of the seven companies which already supply parts to LG Electronics' domestic plants.

The company official said it is also drafting a plan to offer facilities to vendor companies at its manufacturing facility in Huizou, China which was set up last September under the management of the locally-incorporated Goldstar Huizou Co. Ltd.

Similarly, other vendor companies will be invited to join foreign projects to be undertaken in countries like Mexico where they will produce color television sets after a joint venture is established next month, he said.

In the case of Samsung Electronics, it is about to take along some 15 vendor companies in its business ventures in China and Southeast Asia in addition to the 10 which have already set up shop.

"Companies like LG Electronics and Samsung recognize that cooperation with existing vendor companies is critical in getting off to a good start and preventing the high defect rates often seen in offshore production," one industry source said.

Daewoo Electronics, for its part, has long been working with Korean vendor companies on a local manufacturing basis and is about to take them along in its new projects in China and France.

As for existing offshore production facilities, Daewoo is planning to increase the number of Korean companies involved with it from the current level of less than 10 to as many as 25 by the end of this year.

National Tourism Corporation Issues 1994 Figures

SK2302011795 Seoul YONHAP in English 0021 GMT 23 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—The Japanese were the largest group of foreign tourists visiting South Korea last year, while China registered the biggest growth rate in South Korea's incoming tourism.

Of a total 3,580,000 foreign tourists that visited South Korea in 1994, Japanese visitors numbered 1,644,000 or 45.9 percent of the total and by far the largest, the Korea National Tourism Corp. (KNTC) disclosed Thursday.

Chinese tourists visiting South Korea last year totaled 141,000, representing the largest growth rate of 41.0 percent over the previous year's 100,000 tourists.

That the Japanese account for the largest group of incoming tourism is attributed to geographical proximity and close political, economic and historical relations between the two countries.

But the growth rate for incoming Japanese tourists has declined in recent years due to the economic recession in Japan and because Japanese tourists are now opting to go to America, Europe and Southeast Asia, complaining about high prices, poor hotel services and traffic inconveniences in South Korea, according to the KNTC.

Incoming Chinese tourists have sharply increased since the two countries normalized diplomatic relations in 1992, which was followed by active economic and personnel exchanges. As the trend is expected to continue, China is projected to emerge as the No. 2 overseas tourism market for South Korea after Japan.

Ranking second in last year's incoming tourism was the United States with 332,000 tourists, accounting for 9.3 percent of the total. The United States was followed by the Philippines with 149,000 tourists or 4.2 percent, China with 141,000 tourists or 3.9 percent, Taiwan with 137,500 tourists or 3.8 percent, and Hong Kong with 122,000 tourists or 3.4 percent.

The number of incoming tourists last year from Hong Kong, Taiwan, Thailand, Singapore, the Middle East, Argentina and Libya declined by 3.2 to 19.6 percent from the previous year.

Ministry Earmarks Funds for Developing Countries

SK2302041595 Seoul YONHAP in English 0238 GMT 23 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—The Ministry of Foreign Affairs earmarked 38.2 billion won (about 48 million dollars) in grants to other developing countries this year, up 20 percent from last year's 31.8 billion won, showing the government's willingness to contribute to the spread of international peace, elimination of impoverishment and protection for the environment, Foreign Ministry officials said Thursday.

The ministry decided to provide 10.37 million dollars to 82 countries and seven international organizations in emergency relief funds and projects for the provision of a variety of equipment, they said.

It also set aside 10.45 million dollars to proceed with projects for establishing vocational training centers in Vietnam and Sudan while paying 3.81 million dollars for feasibility studies for a variety of development projects in China, Vietnam, Indonesia and three other developing countries, said the officials.

The ministry earmarked 3 million dollars in emergency funds for victims of floods, earthquakes and other disasters to be reserved by the United Nations and other world bodies, according to the officials.

The ministry in particular set aside over 6.5 million dollars for China and Vietnam which the government designated as partners for special cooperative projects, they said.

By region, about 41.4 percent of the total grants was allocated to African states, said the officials.

Among other projects to be pursued by the grants this year are the invitation of 152 engineers from former socialist states for training and sending of 18 technical experts to the ex-communist states to help the countries move to market economies, according to the officials.

A total of 970 technical trainees will be invited to the country from 80 developing countries while 105 technical experts will be dispatched to 57 countries and three world bodies under this year's grant program.

The grant program will allow 110 volunteer workers to be dispatched to 16 countries including Ethiopia, Paraguay, Uzbekistan, Myanmar, Mongolia and China and 21 doctors and 13 Taekwondo masters will depart to African states.

The grant program will be implemented by the Korea International Cooperation Agency (KOICA), an international cooperation arm of the Ministry of Foreign Affairs established in April, 1991.

The amount of South Korea's government-level Official Development Assistance (ODA) reached 176 million dollars or 0.05 percent of the country's gross national product in 1993, far below the average level of 0.3 percent in member countries of the Organization for Economic Cooperation and Development (OECD).

Seoul Decides To Increase Volunteer Workers

SK2002062795 Seoul YONHAP in English 0539 GMT 20 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 20 (YONHAP)—The government has decided to drastically increase the number of volunteer workers to be dispatched overseas this year in an effort to reinforce cooperation with other developing countries.

The Korea International Cooperation Agency (KICA), affiliated with the Foreign Ministry, disclosed Monday [20 February] that 100 volunteers will be sent to 16 countries in late May for a two-year service.

The KICA dispatched 51 volunteers in 1993 and 59 in 1994 to 11 countries—Mongolia, China, Thailand, Sri Lanka, Nepal, Indonesia, the Philippines, Fiji, Papua New Guinea, Bangladesh and Vietnam.

The five countries that were added to the destinations of South Korean volunteer workers are Uzbekistan and Kazakhstan (both of which have many ethnic Koreans), Myanmar [Burma], Ethiopia and Paraguay.

In a bid to secure experienced manpower and enlist people in the prime of their lives as well as youths, the KICA has expanded the previous requirements of recruits from the single male and female aged between 20 to 35 to anyone between the ages of 20 to 59, including married applicants.

Applications for the overseas voluntary service are accepted from Tuesday through March 4. Successful candidates will undergo a two- week training before being dispatched overseas late in May.

The number of occupations that overseas volunteer workers will engage in has been reduced from the previous 29 to 19. The latter includes computer operations, automobile maintenance, the Korean martial art taekkwondo, and animal husbandry.

Under the Overseas Service Corps Project, initiated in 1990 to build a basis of mutual understanding and cooperation with developing countries, South Korea sent a total of 243 volunteers to 11 countries up to last year. At present, 110 South Korean volunteers are working in 11 countries. In Vietnam, South Korea is the only country that has sent volunteers.

KICA President Chong Chu-yun said, "Greeting an era of globalization, South Korea needs to expand its role in the world community, including support to and cooperation with developing countries. Our agency has decided to drastically increase the number of volunteers sent abroad as well as expand the number of destination countries, with the objective to foster regional specialists."

Reward System for Tips on Alien Workers Ended

SK2102081295 Seoul YONHAP in English 0743 GMT 21 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 21 (YONHAP)—The Korea Federation of Small Businesses decided to scrap their recently announced plan, awarding 50,000 won (62 U.S. dollars) to those with tips leading to the arrest of foreign worker-trainees deserting their assigned workplace, as it has been denounced as inhumane.

Yi Hyo-cha, chief planning coordinator of the federation said Tuesday that because human rights organizations criticized the plan for violating human rights of foreign workers and because the government also opposed the plan, the federation had decided to drop it.

But the federation reportedly secretly implemented the plan last November in an attempt to keep foreign workers from leaving their assigned workplace without permission, and the federation is expected to continue suffering from public criticism for such clandestine conduct.

In a related development, some 60 human rights activists and foreign workers staged a demonstration protesting "the outdated slave hunting program" in front of the federation office in Yoido on Tuesday afternoon.

National Assembly Elects New Vice Speaker

SK2002105895 Seoul YONHAP in English 1011 GMT 20 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 20 (YONHAP)—The National Assembly on Monday afternoon elected Rep. Yi Han-tong of the ruling Democratic Liberal Party (DLP) as new vice speaker.

Yi succeeds Yi Chun-ku who has resigned as vice speaker upon his appointment as DLP chairman.

In a secret vote participated by 246 legislators, Yi Han-tong drew 207 votes. Of the remainder, seven votes went to Rep. Pak Hui-pu, three to Yi Chun-ku and two to O Se-ung.

The assembly also chose Rep. Hyon Kyong-tae, DLP floor leader, as chairman of the Assembly Steering Committee. He won 203 votes of the 228 solons present.

Opposition Party Official Speaks Before Assembly

SK2302070995 Seoul KBS-1 Television Network in Korean 0100 GMT 23 Feb 95

[Excerpt of speech by Kim Won-ki, senior chairman of the opposition Democratic Party, at the 172d extra session of the National Assembly in Seoul—live]

[FBIS Translated Excerpt] Dear fellow countrymen, respected speaker and National Assemblymen, and prime minister and members of the cabinet: All of the people are suffering seriously with the unprecedented drought throughout the nation today. Thus, I would first like to extend my consolation to them. I am confident, however, that if and when the government and the people do their best to pool their strength together, we can surely surmount the damage caused by the recent drought. [Passage omitted on the rapidly changing international and regional situation and the need for new politics, a new economy, and a new social and cultural system for the upcoming 21st century]

Two years have passed since the Kim Yong-sam regime set sail. The Kim Yong-sam regime was launched amid the great expectations of the people. Today, however, many people have turned their backs on it. At this point, I cannot but point out that the Kim Yong-sam regime's improvisational, on-again-off-again dogmatism, its ruler- based, instead of law-based, rule, and its ruling method of ignoring politics in order to benefit certain people, have gone beyond the level of neo-authoritarianism to reach the dangerous level of civilian dictatorship. [Passage omitted on examples of mismanagement by the Kim Yong-sam regime]

Among the Kim Yong-sam regime's policies thus far, diplomatic and unification policies have caused the most confusion, and consequently, has created distrust among the people. We think that the policy toward North Korea should not be directed toward irritating North Korea by blocking and isolating it, but should be directed toward opening the road to conducting reforms in an orderly manner. Dividing up North-South exchanges into governmental and non-governmental areas of implementation would allow exchanges to be carried out with the North via nongovernmental channels whenever governmental channels are blocked. Likewise, when the channels of the political and military fields are clogged, exchanges should be carried through nonpolitical and nonmilitary channels.

Thus far, the government has emphasized the need for a supra- partisan policy regarding the inter-Korean problem, and at the same time, regarded North Korea's united front strategy as most dangerous. North Korea's united front strategy is only effective, however, when we remain divided.

Firmly united might in our domestic politics is absolutely necessary for solving the various knotty issues that we face today in the fields of security and unification. Towards this end, I propose the formation of a permanent consultative body where the ruling and opposition parties have joint access to intelligence about North Korea and where policies regarding the North-South issue are jointly discussed and formed.

I would now like to address the national defense issue. Last November we took over the rights to peacetime operational control from the United States. When nearly half a century has passed since the founding of our government, we nevertheless still rely on the United States for most of our nation's defense.

To achieve independence in national defense, I think we need balanced development of the Army, Navy, and Air Force based on an elite military organization, a realignment of the roles of the regular army, the reserve army, and civilians, and a rearrangement in the proportions of officers, noncommissioned officers, and enlisted men.

A nation's defense capabilities are influenced by the mentality and morale of soldiers. Therefore, democratic and strict military discipline should be established. We should consider the welfare of soldiers in this regard. [passage omitted on domestic economic affairs]

Dailies on Dismissal of Unification Minister

SK2202113495

[FBIS Editorial Report] The following is a compilation of editorials carried in Seoul vernacular papers on 22 February on the dismissal of Kim Tok from the post of deputy prime minister and minister of National Unification Board, which was announced abruptly on 21 February in connection with the controversial survey conducted by the Agency for National Security Planning, NSP, last November when Kim Tok was its director.

The conservative CHOSON ILBO carries on page 3 an 800-word editorial entitled "What is More Urgent Than Dismissal." The editorial begins: "The people expected the top leader of the government to clearly clarify the confusion in the issue of postponing the local autonomy elections. What he did, instead, irrelevantly enough, was to dismiss Unification Minister Kim Tok." The editorial notes the unavoidability of reprimanding Kim Tok, who was then NSP director, but regrets that President Kim fired Kim Tok—a minister in charge of such an important matter as national reunification—so abruptly, two months after his appointment to the post. The editorial then notes: "The government or National Assembly should have at least investigated the matter. Moreover, since Minister Kim Tok stated that 'it was routine work of which he was not aware,' his responsibility for the conduct of his duty, apart from his moral responsibility, should have been clarified. This was the minimum prudence and courtesy the position of unification minister deserves." The editorial adds: "We stress it is very important to clarify why, through what process and discussions, and by whose directive the NSP sent such a document to its branch offices. It should be explained to the people if Mr. Kim Tok did it on his own judgment or whether it was done after discussions by senior NSP officials, including President Kim's close aides."

The moderate TONG-A ILBO carries on page 3 an 800-word editorial entitled "The Ghost of Maneuvering Politics." The editorial begins: "The political stir created by the NSP document instructing a review of the possibility of postponing the elections of the heads of local autonomous organizations has entered a level of settlement by the dismissal of Deputy Prime Minister and Unification Minister Kim Tok." The editorial continues: "However, this does not mean the problem has been completely solved," and suspects that the NSP might have conducted a political maneuver to support postponement of local elections, which has been discussed by the Democratic Liberal Party [DLP] since last November. The editorial then notes: "It is desirable to resolve as soon as possible the situation in which suspicion about NSP's political maneuvering and the suspicion about the postponement of elections are linked," and concludes: "To settle the confusion, the DLP should put forth its clear position as to how it will correct the problems through an agreement between ruling and opposition parties with the approach of local elections."

The moderate KYONGHYANG SINMUN carries on page 3 an 800-word editorial entitled "We Should Rectify What Is To Be Rectified." The editorial deplores that even under the present civilian government, civil servants have not transformed themselves to suit the civilian government, and expresses concern about the lack of discipline in officialdom, which resulted in the exposure of an NSP document. The editorial writes: "We are worried about the deterioration of discipline in officialdom. A civil servant of a department acts improperly, while another civil servant steals a document and exposes it to the outside. A department of this nature cannot be operated properly. We are particularly concerned that another important document containing the state's most important information could be leaked." The editorial concludes: "The current National Assembly special session should make a general review of the systematic problems and shortcomings before the total implementation of the local autonomy system, and rectify what is to be rectified. They cannot afford to put it off. If the Assembly session wastes time in political argument, it will have to be blamed for dereliction of its duty."

Kim Urges DLP To 'Rally Around' New Chairman

SK2202122595 Seoul YONHAP in English 1131 GMT 22 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 22 (YONHAP)—President Kim Yong-sam, who concurrently heads the ruling Democratic Liberal Party (DLP), on Wednesday stressed that DLP members should solidly rally around party Chairman Yi Chun-ku and thereby help accomplish the national goal of globalization without fail.

The president made the remarks while presiding over a party affairs committee meeting at the DLP headquarters at Yoido.

"Our party should fulfill its role as the subject of globalization and become a victor of history under all circumstances," he said.

Kim said globalization is not supposed to be promoted by the government alone. "Globalization will succeed only when the DLP takes the lead," he said.

Also during a tea party that followed the meeting, President Kim said the DLP is an all-important political party laden with the obligation to create and steer a history rightly.

DP's Yi: No Intention of Retracting Resignation

SK1802010895 Seoul YONHAP in English 0039 GMT 18 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 18 (YONHAP)—Yi Ki-taek, chairman of the opposition Democratic Party (DP), made it clear Saturday [18 February] that he has no intention of retracting his resignation as a National Assemblyman, which he tendered last November for political reasons.

Meeting reporters at his residence in Pukahyon-tong, Seoul, Yi said he resigned under his political judgment while taking fully into account that the National Assembly speaker would reject it.

He added, however, "It makes me feel a little sorry that a party chairman does not have National Assembly membership despite that the assembly is opening soon."

Accordingly, DP's Supreme Council member Kim Won-ki will deliver a speech representing the party during the special parliamentary session opening Monday through March 7.

DP Chairman Yi gave his resignation to Speaker Hwang Nak-chu last November to engage in extra-parliamentary activities calling for the prosecution's indictment of those involved in the "Dec. 12, 1979, military rebellion."

Premier Yi: NSP Should Not Meddle in Politics

SK2002105995 Seoul YONHAP in English 1019 GMT 20 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 20 (YONHAP)—Prime Minister Yi Hong-ku said on Monday that the Agency for National Security Planning (NSP) should not meddle in politics under any circumstances.

"It is not desirable at all that the NSP's alleged preparation of a document on the issue of local elections has given the impression that the agency was trying to influence the local elections," Yi said.

He made the remarks while meeting with a group of opposition Democratic Party solons who called on him at his office to protest over the NSP document.

The premier added, however, that there can be varying interpretations of the incident depending on how the scope of the NSP's business is defined.

"I understand the NSP director would personally explain about the incident at the Assembly Intelligence Committee in a few days," he said.

Yi said he had received a report from the NSP to the effect that they thought it was part of their business to look into a matter which is apt to cause a split in national opinions.

He said there may arise the issue of whether such a thought can be proper in light of existing election laws.

"One thing obvious is that neither the president nor the NSP director had ordered such an action," Yi said. "There will be steps based on laws against those public officials having violated election laws."

Touching on the recent incident in which the Kyonggi Province looked into the background of those expected to run in local elections, the premier said the prosecution is probing the case, the outcome of which he said would be disclosed shortly.

The premier said he doesn't believe the Home Ministry or the governor of the province personally ordered such a background probe.

Yi Hoe-chang Denies Meeting With Kim Tae-chung

SK2002104395 Seoul YONHAP in English 0831 GMT 20 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 20 (YONHAP)—Former Prime Minister Yi Hoe-chang denied Monday rumors that he met former opposition leader Kim Tae-chung, currently the chairman of the Peace Foundation for the Asia-Pacific Region.

Rumor has it that the main opposition Democratic Party (DP) has been trying to convince the ex-prime minister to run for the mayoral post of the Seoul city government on the DP ticket.

Yi said he has not met with Kim Tae-chung directly. Asked whether he met with people from the foundation or the opposition party, he indirectly denied the question, replying "It makes me embarrassed to repeat such things as the DP has its own dignity as a political party."

As for the rumor of his running for the Seoul city mayor on the DP ticket, he gave a negative answer saying, "It troubles me that I am frequently talked about by the press regardless of my own position."

In this connection, close aides to Yi said angrily that they will draw up a letter to the peace foundation protesting the widespread rumor. They emphasized that Yi had not contacted the DP nor the foundation, except for a visit to Yi by DP lawmaker Kang Chang-song.

Meanwhile, chief secretary of the peace foundation Chong Tong- chae officially denied Yi's meeting with Chairman Kim.

Kim Chong-pil Followers Announce New Party Plan

SK2102110095 Seoul YONHAP in English 1023 GMT 21 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 21 (YONHAP)—Followers of Rep. Kim Chong-pil on Tuesday afternoon formally declared their plan to create a new party tentatively called "United Liberal Democrats."

At a party promoters meeting held at the Hotel Ambassador in Seoul, the attendees professed to be a political force caring for and believing in liberty and democracy.

The United Liberal Democrats called, as its major policy goals, for a parliamentary cabinet system, creative integration between the conservatives and progressives, and better interests of the middle class and rural people.

Kim Chong-pil, honorary chairman of the party inaugural preparatory committee, stressed in a speech the need of a parliamentary cabinet system.

"Relations between a people who have to accept top-down decisions and a one-man absolute ruler who retains all the decision-making rights are basically prone to harm democracy," he said.

The meeting elected Pak Chun-kyu, one-time National Assembly speaker, as chairman of the inaugural preparatory committee.

The promoters meeting was attended by about 1,700 people. The incumbent legislators present were Yi Chong-kun, Ku Cha-chun, Kim Yong-hwan, Yi Kung-kyu, Yu Su-ho, Cho Pu-yong, Chong Tae-yong and Kim Chin-yong.

The new party is to be inaugurated toward the close of March after creating 25 to 26 district chapters.

Accomplishments of Kim Yong-sam Presidency Viewed

SK2302081595 Seoul YONHAP in English 0734 GMT 23 Feb 95

[Report by Kim Myong-chol; first of three YONHAP reports looking back on the achievements of the Kim Yong-sam government in the political, economic and social fields on the second anniversary of its inauguration on 25 Feb: "Kim Yong-sam Gives Economy Face-Lift With Reforms in 2 Years"]

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—President Kim Yong-sam's economic achievements in his first two years in office can be summed up: A face-lift with reform programs.

In his first year in office, the economy underwent a few revolutionary developments, thanks to his ambitious reform programs based on the hopes the people pinned on his civilian government, the first of its kind in this country in more than three decades.

With the help of his initial economic team of Economic Planning Minister Yi Kyong-sik, Finance Minister Hong Chae-hyong and Senior Presidential Economic Secretary Pak Chae-yun, Kim launched the 100- day and five-year plans to build what he called "a new economy" in a few months after he was sworn in. But the economy showed no signs of recovering from the protracted recession.

His clamp-down on decades-old corruption and irregularities sent cold waves to the financial community, sacking one bank president after another. And the business community also shrank.

But in his second year in office, the economy began to pick up. The growth rate which remained at the 5-percent level in 1992 and 1993 is estimated to have increased to 8.4 percent in 1994. In December 1994, manufacturing factories operated at an all-time record high 85.5 percent of their capacity.

The business upswing is expected to continue in 1995 and a debate continues over whether or not the economy is overheating.

The inflation rate, determined by the basis of consumer price hikes, was brought down to 5.6 percent in 1994 from 5.8 percent in 1993, and the government plans to lower it further to between 5 and 5.5 percent in 1995 and between 3 and 4 percent by 1997.

The first and foremost measure of his economic reform was the decree requiring the use of real names in all financial transactions that went into effect in August 1993, which his two predecessors were unable to implement in spite of their military-based authoritarian reign.

The second was the similar policy he announced in his New Year press conference early last month to enforce the use of real names in all real estate transactions.

These real-name systems were intended to check the flow of black money to the underworld economy in order to realize economic justice and thus drew the people's enthusiastic support.

Kim also streamlined the cabinet's economic ministries in late 1994 to carry out his election pledge of a small but efficient government.

The Economic Planning Board and the Finance Ministry were integrated into a single agency and the construction and transportation ministries into one ministry, among other things. As a result, many public servants left the civil service.

In addition, some 1,100 rules hindering smooth and timely business activities have been scrapped or eased, while the Fair Trade Law was amended to prevent the concentration of economic powers in chaebol, or family-based business conglomerates.

And plans to restructure the central bank system have just been announced to boost the monetary board as the top monetary and credit policymaker and integrate the existing three financial watchdog agencies into a single one.

Kim's reform programs are hailed as ones that the previous military putsch-generated governments could not even imagine and are thus are accepted by the people as fresh air.

But his economic reforms are still in its infancy and still have a long way to go.

The real-name financial transaction system has not yet put to productive investment all the funds of the so-called unearned-income brackets, namely usurers, though this was the system's main aim.

The real-name real estate transaction system appears to be going off the original mark, and a law enforcing this system is still in the making.

The merger of economic ministries appears to have made a behemoth agency staffed with officials of different occupational backgrounds. It thus gives an impression of inefficiency in work.

And the central bank restructuring plans are under a severe attack, and some critics call them schemes to worsen the existing system.

President Kim now has three years to complete his tenure of office.

Many people agree that he should complete in the coming three years the reform programs he launched in the past two years, instead of launching new programs, so that the fruit of his reform programs will be fairly distributed to the people.

The nation will shortly meet the era of a 10,000-dollar per capita income and will become a member of the club of the advanced nations called the organization of economic cooperation and development. Considering this point of development the economy has reached, Kim should focus his economic policy on such basic issues as price hikes and labor disputes.

Kim Yong-sam's Political Reform, Change Reviewed

SK2302091595 Seoul YONHAP in English 0845 GMT 23 Feb 95

[Report by Yi Kwang-ho; second of three YONHAP reports looking back on the achievements of the Kim Yong-sam government in the political, economic and social fields on the second anniversary of its inauguration on 25 Feb: "Kim Yong-sam Government Has Sought Reform and Change for Two Years"]

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—President Kim Yong-sam marks the second anniversary of his government on Saturday and his five-year presidential term is now facing the crucial, middle period.

For the past two years, President Kim has incessantly pursued attempts to reform and change a political sphere that is still widely considered backwards in comparison to the country's economic field.

In an apparent gesture to renovate the political arena, Kim emphasized the need to boost the international competitiveness of politicians during a speech he delivered to the national convention of his ruling Democratic Liberal Party (DLP) on Feb. 7.

Kim has been laying the foundation for "clean politics" through various institutional reforms and he is now seeking for the nation's politics to reach the world's level in the remaining three-year period.

Kim's civilian government, formed on a moral basis, has an inseparable relationship with political reform, the prime task Kim needs to solve during his term of office.

Chongwadae [presidential offices] officials explain that the president's introduction of competition in the political sector is based on the political philosophy he acquired from his long experience in political parties as well as in the National Assembly.

As a parliamentary democrat, he was elected to the National Assembly nine times, the highest unbroken record in nearly half a century of parliamentary history.

Kim believes that politics is a technology which manages and supervises all divisions harmoniously, and therefore there will be no developments in other fields unless politics is reformed in productive manner.

It is undeniable, however, that until before the incumbent civilian government's birth, the country's politics had suffered through stagnation and regression, quite often regarded as a major stumbling block to social development.

And more often than not, the politics of the past was characterized by the unproductive political mode and structure where authoritarianism, political maneuvering among factions and the politicians-businessmen's collusion flourished.

The flames of political reform came from the nearest to him. Kim himself opened up his properties to the public upon his inauguration and pledged he would not receive a penny of political funds during his official term.

And the long march toward reforms began to stride with the revision of the ethics law governing public officials that made it mandatory to open their properties to the public.

Kim's administration conducted another sweeping reform with the real-name system of financial transactions in a bid to block the corruption and irregularities in the political arena from the outside.

Despite the enforcement of the property opening and the real-name system, the political circles of the country still did not strongly support the president's reform drive.

As a result, President Kim's ruling DLP played a leading role in the negotiations for the three major politics-related laws governing elections, political parties and political funds.

These three laws unanimously passed through the National Assembly on March 4, 1993.

The first by-election in August 1994 since the revisions of the laws were conducted in an unprecedented, clean and fair manner and many political observers evaluated that the election opened new horizons for the country's election culture.

The revised laws also caused a chain reaction on the part of the National Assembly as well as for political parties.

Consequently, the National Assembly Law was amended so that its operation would be more productive and rational.

Each political party began to revamp its own structure to meet the new political environment.

For all the reformative drives of the incumbent government, many people still do not place great hope in politics as they think it has not offered enough stability or happiness.

Political parties are still said to be often putting partisan interests and tactics before the common good.

And yet, there are still old-fashioned politickings working underground in continued pursuit of their political influence by relying upon localism and plutocracy.

Another sweeping reform Kim has conducted for the past two years is a large-scale administrative revamp.

The organization revamp of the central government, conducted last December, was so sweeping as to be often called the "administrative revolution."

The necessity of the government organization, which was frameworked in the 1960s, had been raised continuously in the preceding governments, but no one dared to attempt it for fear of political burdens and the turbulence of officialdom when the reorganization proved to be a failure.

Moreover, many people pointed out that the administration's competitiveness was far lower than other countries' as the officials failed to cope with the rapidly changing environments in the era of internationalization and of the information society that requires experts in every social strata.

In this sense, Kim's massive revamping of the government organization last December was regarded an attempt for materializing a "small but strong government" that will be adaptable to the era of globalization, localization and national reunification.

The contents of the government revamp can be summed up as follows.

First, it retrenched the size of former organizations that led to the country's growth in the preceding governments while it merged and abolished the organizations whose functions either overlapped or were too similar.

The exemplary case was the merger of the Economic Planning Board and the Finance Ministry into the Finance-Economy Ministry. Another case was the merger of the Construction Ministry and the Transportation Ministry into the Construction-Transportation Ministry.

The downsizing of the administration also cut some 1,000 officials from their jobs.

Secondly, it made the government's function systematic and effective enough to actively cope with the rapidly-changing environments abroad in the wake of the birth of the World Trade Organization (WTO).

Thirdly, the intensification of the policy coordination function of the prime minister's office enabled it to adjust and evaluate the major state policies.

Fourthly, the government function was revamped to improve the "quality of life" of the people, by elevating the status of the Environment Ministry and reorganizing the Health-Social Affairs Ministry into the Health-Welfare Ministry.

In addition to the administrative revamp, President Kim also reshuffled his secretariat office and installed the new post of the senior presidential secretary for policy planning to effectively realize his globalization scheme.

However, the cited revamping and the subsequent reduction in the number of officials do not complete the administrative reform.

To increase the productivity of the public servants, a variety of programs must still be worked out to serve the people more actively on the basis of their creativity and reformability.

The administrative reform will be successful in the true sense of the word when it best serves the people in the era of globalization and localization.

Government Decides To Remove Kyonggi Governor

SK1702125195 Seoul YONHAP in English 1039 GMT 17 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 17 (YONHAP)—Home Minister Kim Yong-tae on Friday decided to remove Kyonggi Province Governor Kim Yong-son in connection with the recent press reports that Governor Kim was looking into the background of those expected to run in upcoming local elections.

The decision was based on President Kim Yong-sam's instructions, a Home Ministry source said.

His replacement will be announced on Saturday and the likely successor will be either incumbent Vice Kyonggi Governor Chon Yong-kuk or former Vice Kyonggi Governor Yi Hae-chae, the source said.

Legal Authorities Release Corruption Figures

SK1902074295 Seoul YONHAP in English 0648 GMT 19 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 19 (YONHAP)—Prosecution and other law enforcement authorities have discovered some 8,000 persons involved with corruption, arresting about 3,570 of them during the past two years since President Kim Yong-sam took office, law enforcement authorities revealed on the eve of the occasion marking President Kim's two years in office this month.

From February, 1993, and the 1994 year-end, the authorities uncovered 8,205 persons with wrongdoings such as accepting money in return for official favors, and helping tax evasion. Of them, 1,422 were public officials, they said.

A total of 2,603 public servants have either been dismissed or voluntarily left the government service because of their involvement in irregularities in the past two years, with 928 of them taken into custody under corruption charges.

Those involved in some sort of tax irregularities outnumbered others by a large margin totalling 1,371 of whom 619 were arrested. Government employees totalled 368 with 258 of them in jail. Reinforced investigation of tax irregularities in the wake of the North Inchon ward tax corruption has had a lot to do with the large number of persons uncovered with tax irregularities, the authorities said.

A large number of corruption was dug out from the construction business sector, where a lot of business has to do with licenses and permits: Some 1077 persons were rounded up and 256 of them were arrested.

The authorities found 910 persons with various accounts of misconduct in the field of environment protection, 726 people in financial sector, and 713 in legal areas.

More Tax Scams Discovered at Seoul Ward Offices

SK2002104995 Seoul YONHAP in English 0855 GMT 20 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 20 (YONHAP)—A total of 671 cases of suspected tax scams involving a total of 1,415 million won (about 1.77 million U.S. dollars) have been uncovered in two rounds of inspection of registration tax affairs at Seoul's 22 ward offices.

Wrapping up its self-propelled investigation that started on Dec. 29, the Seoul city government said Monday that 440 cases of suspected irregularity involving 465 million won were confirmed.

The Board of Audit and Inspection earlier uncovered 231 registration tax irregularity cases involving a total of over 950 million won in its probe into the tax collection business at some wards of Seoul. By adding these to those uncovered by the city government, the total reached 671 cases with 1,415 million won involved.

FTC Plans To Investigate Sunkyong Group

SK1702071695 Seoul YONHAP in English 0628 GMT 17 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 17 (YONHAP)—The government will investigate transactions between or among the affiliated companies of the Sunkyong business group next week.

A Sunkyong Group official disclosed Friday that the group was informed by the Fair Trade Commission [FTC] Thursday of a plan to investigate next week intra-group transactions involving four affiliates—Sunkyong Ltd, Sunkyong Engineering and Construction Co., Sunkyong Industries Ltd. and Yukong Ltd.

Another Sunkyong official admitted that Sunkyong had been given such notice but played down the probe, saying, "As far as I know, it is but a routine one conducted every other year."

The investigation is designed to check not only general unfair internal transactions discriminating against non-affiliated firms, but also disguised equity diversions or irregular real estate transactions among the affiliated companies, according to informed sources.

In the meantime, Deputy Premier and Finance and Economy Minister Hong Chae-hyong and the National Tax Administration [NTA] denied Friday the reports that the NTA has launched a tax probe into the Sunkyong Group.

Not Under Investigation by NTA

SK1702033695 Seoul YONHAP in English 0242 GMT 17 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 17 (YONHAP)—The National Tax Administration (NTA) denied "as false" Friday [17 February] a press report that claimed the Sunkyong Group is under investigation for across-the-board taxes.

Pak Pyong-il, a senior NTA investigator, said news reports announcing that the NTA has launched a comprehensive tax investigation on major Sunkyong-affiliated firms are groundless. But he added, "I don't know whether regional tax offices are conducting corporate tax investigations of Sunkyong firms in their areas on their own investigation schedules."

As for the reported investigation into the movements of ownership shares in Sunkyong firms under the Fair Trade Law, he said such an investigation is not underway, nor has the Fair Trade Commission asked the NTA to conduct such an investigation into Sunkyong firms.

Deputy Prime Minister and Finance and Economy Minister Hong Chae-hyong told reporters he had been indirectly told by the NTA commissioner that there is no across-the-board tax investigation on Sunkyong firms.

Asked if the Fair Trade Commission (FTC) was probing share movements in Sunkyong firms, he quipped, "The FTC is not under my control."

As for his meeting with Sunkyong Group Chairman Choe Chong-hyon on Thursday morning, Hong said it had nothing to do with tax investigations.

A ranking Chongwadae [presidential offices] official said the reported tax investigation of Sunkyong firms "is totally groundless," and asked "will the people believe such a report?"

Acknowledging some Chaebol (big business group) firms are being probed for their ownership share movements, he said he had been told by the NTA that there is no corporate tax investigation on Sunkyong firms.

The reports that Sunkyong had not received any tax investigations during the Chon Tu-hwan and No Tae-u governments are not true either, he said, adding, "I know some Sunkyong firms received corporate tax investigations in those days."

DP Criticizes Government's Probe

SK1802123495 Seoul YONHAP in English 1107 GMT 18 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 18 (YONHAP)—The opposition Democratic Party [DP] criticized on Saturday the government's probe into allegedly illegal internal business transactions of the Sunkyong Group.

Rep. Pak Chi-won, DP spokesman, said, "It is another target probe by the Kim Yong-sam government."

He said that the government must not use its power selectively only to those who criticize the government policy, adding that the criticism of Sunkyong Chairman Choe Chong-hyon about the government economic policy should be dealt with in a discussion.

The fair trade commission will begin a six-day probe into the allegedly illegal internal business transactions of the Sunkyong Group beginning from next Monday.

However, the business circles suspect that the probe may be the administration's retaliation against Sunkyong Group Chairman Choe Chong-hyon's criticism of its economic policy.

President: Elections To Be Held as Scheduled

SK1702035195 Seoul YONHAP in English 0247 GMT 17 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 17 (YONHAP)—President Kim Yong-sam made it clear Thursday [16 February] that the four local elections will be held as scheduled.

The chief executive, who also heads the ruling Democratic Liberal Party (DLP), said Thursday afternoon, during his weekly meeting with DLP Chairman Yi

Chun-ku, "In my new year's press conference, I already stated that the local elections will be conducted as scheduled," according to Yi.

Chairman Yi told reporters Friday morning, "The issue of revamping administrative districts and their structure was first raised not by the DLP but by the citizens' alliance for economic justice. Hasn't the (ruling) party already said that no rezoning of administrative districts will be carried out before the forthcoming local elections?"

Though he admitted that there are problems in the present administrative districts and their structure, Yi reiterated that "the local elections will be held as scheduled."

Controversy developed over the call for restructuring administrative districts when DLP Secretary-General Kim Tok-yong raised the issue Tuesday, one day after the Citizens' Alliance for Economic Justice raised the issue.

The opposition has charged that the suggestion indicates that the administration and the ruling party intend to put off local elections.

To be selected in the June 27 local elections are 15 special city mayors and provincial governors, 236 city mayors, county and ward commissioners, over 860 members of special city and provincial councils, and over 4,300 members of city, country and ward councils.

Premier on Units Restructuring Before Elections

SK1802132995 Seoul YONHAP in English 1311 GMT 18 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 18 (YONHAP)—Prime Minister Yi Hong-ku said on Saturday that restructuring of administrative units before local elections slated for June this year is the kind of issue that should be solved politically between political parties.

At the joint meeting of senior government and ruling party officials, he said that the government does not have any clear policy about the controversial issue as of now.

"The issue is up to the decision of the political circles," he was quoted as saying by Pak Pom-chin, spokesman of the ruling Democratic Liberal Party.

He was also quoted as saying that it is the government's position to continue to prepare for local elections to hold the elections as scheduled without any problem.

DLP Urges Comprehensive Study of Election Issue

SK1802060095 Seoul YONHAP in English 0522 GMT 18 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 18 (YONHAP)—The ruling Democratic Liberal Party (DLP) is moving to comprehensively review various issues, including the restructuring of administrative units, before local elections slated for June.

The ruling party is set to push for a full-fledged discussion with the opposition parties, by organizing a special consultation organization during the upcoming special National Assembly session starting Monday [20 February].

At a meeting with the press, DLP Secretary-General Kim Tok-yong emphasized the need to reexamine some issues while stating, "We are able to discuss all matters of concern in the National Assembly."

Kim said the local autonomy system must be achieved for national and political development.

"The local autonomy system must not be viewed from the standpoint of just rezoning administrative districts. It has to be made to lay the foundation of living politics directly related to the people's daily lives, by way of people's autonomy, rather than the autonomy of politics and political parties," he said.

Kim particularly stressed the need to reexamine the local elections so that they would eventually help remove regional antagonism and selfishness.

Referring to the procedural methods for restructuring the administrative zones, he hinted at the possibility of setting up consultative bodies by saying "There could be various solutions if a national and bipartisan consensus is realized."

However, he made it clear that his party will hold June 27 local polls as scheduled, saying preparation for elections is the most important issue facing the party.

Kim's such remarks are construed as the DLP's move to stage a comprehensive discussion on the local elections-related issues, which include not only the restructuring of administrative units, but also the nomination of candidates by political parties running for the elections.

British Company on South's Nuclear Plant Program

SK2302081495 Seoul THE KOREA HERALD in English 23 Feb 95 pp 6, 7

[From the "Special Report" section, entitled: "BNFL ready to help Korea with nuclear tech"]

[FBIS Transcribed Text] According to John Ireland, general manager of BNFL [British Nuclear Fuels Limited] Korea, Korea has an impressive and well thought through nuclear power plant program which is being vigorously implemented with considerable success. This success which should help Korea ensure a stable electricity supply for the near future is a model not only for would-be nuclear neighbors but also for advanced nuclear nations.

Many advanced nuclear countries have adopted a policy of fuel recycling to ensure energy self-sufficiency and to maximize the efficient use of valuable energy sources. To assure continued economic growth and public acceptance of nuclear energy, Korea needs to pay attention to the fuel recycling business and implement a policy to close the nuclear fuel cycle. Embracing fuel recycling would enable Korea to be at the forefront of nuclear technology ensuring energy self-sufficiency to meet its people's needs.

BNFL, a U.K. public limited company with all shares held by the U.K. government, is ready to support the development and advancement of the Korean nuclear industry.

The general manager of BNFL Korea said that "The development of Kulop-do as a repository for solid waste which may be contaminated with radioactivity is an exciting development for the Korean nuclear industry. This has been a significant decision by the Korean people and is a major step toward implementing a used fuel management strategy."

BNFL is acknowledged internationally as a leader in a nuclear fuel technology. For almost 50 years nuclear fuel recycling operations have been performed at Sellafield. In excess of 35,000 tons of uranium has been reprocessed with more than 15,000 recycled.

Growth in Korea's electricity demand will result in increased stocks of used nuclear fuel and BNFL would like to assist Korea in developing its fuel recycling business.

Countries like Belgium, Holland, Germany, Italy, France, Japan and the United Kingdom have chosen the used fuel recycling route as part of their energy strategy as it allows for the recovery of energy stocks. The recovered plutonium which can be easily recycled to create a new PWR [pressurized water reactor] fuel called MOX [expansion unknown] is a highly valuable fuel source which should not be wasted. One ton of PWR fuel is worth approximately 50,000 tons of oil.

BNFL specializes in nuclear fuel cycle products and services and using its major strengths which include fuel manufacture, transporting and reprocessing used nuclear fuel, managing waste products and decommissioning redundant nuclear facilities, BNFL is fully able to cooperate with Korea to develop and optimize its used fuel and waste management strategy.

BNFL is a private industrial company group, including BNFL Engineering which performs all engineering services for international fuel cycle and waste management projects. In the United Kingdom, BNFL operations are on five sites in north west England and southern Scotland where it employs a workforce of some 14,000 people. It has strengthened its international operations through the establishment of regional offices, notably Brussels and Korea. In the United States, its subsidiary BNFL Inc., promotes BNFL's expertise and technology.

Through its subsidiaries, Pacific Nuclear Fuel Transport Limited and Nuclear Transport Limited BNFL is known for providing used fuel and nuclear waste transport. Each purpose built ship [as published] carries 28 fuel casks each weighing up to 110 tons.

The largest of the BNFL sites, which also contains BNFL Calder Hall nuclear power stations, is Sellafield where it performs used fuel reprocessing and waste management. This site contains two of the world's largest reprocessing plants. The latest plant, THORP [expansion unknown], which bean operation last year was designed and engineered by BNFL's own engineering group.

The nuclear industry generates solid and liquid wastes which may be contaminated. With care for the environment and public safety, BNFL has developed 'state-of-the-art' plants and processes which ensure the current handling and management of these materials. High level waste from reprocessing operation is stored in liquid form before being processed into a molten glass and poured into metal containers for storage and eventual disposal.

Intermediate waste is encapsulated in a special cement and stored at Sellafield pending final disposal in a deep geological repository. At BNFL's Drigg site near Sellafield, solid waste which may be contaminated, is disposed of.

Kulop Island Assessed as Nuclear Storage Location

SK2302044495 Seoul THE KOREA HERALD in English 23 Feb 95 p 6

[FBIS Transcribed Text] The government's designation of the sparsely-populated Kulop Island as home of the nation's first nuclear waste storage facility last December has put an end to a six-year-long search.

"The reason why it took such a long time is that the government's policy in picking up the site has put the greatest emphasis on reaching popular consensus on the selected site," said Chong Kun-mo, minister of science and technology.

The government's repeated attempts to find a location for storing the domestic radioactive waste have been thwarted each time in face of strong resistance from local residents who fear the disposal site will come to their neighborhood.

The final selection was made after the Ministry of Science and Technology and the Nuclear Energy Committee conducted an intensive feasibility study of 10 candidate sites and arrived at the conclusion that conditions on Kulop Island are the most ideal.

Putting the safety approval on the project, two experts from the International Atomic Energy Agency (IAEA) inspected the island and all its related data and said the decision was "sound and reasonable." [sentence as published]

The islet, located about 80 km southwest of Inchon in the West Sea, has only 10 inhabitants in six households. It has a total area of 1.7 sq. km, about two-thirds the size of Seoul's Yoido.

"Extensive survey of the island has shown that it has a solid granite foundation, making it suitable for the construction of an artificial cave to be used as a spent fuel depot," said a ministry spokesman.

He went on to say that the conditions on Kulop Island are also ideal for the building of a port facility for transporting the nuclear waste from the nation's nine nuclear plants.

The planned disposal facility will be capable of storing 200,000 drums of low—and medium-level nuclear waste in an initial stage.

According to the spokesman, the construction of the 50 billion won project will launch in 1997 after several rounds of extensive geological surveys on the island and other related areas.

A major nuclear laboratory, which will also oversee the operation of the spent fuel depot, will be constructed on Tokjok Island which is inhabited by about 500 people. The Tokjok Island is about 10 km northwest of Kulop Island. The ministry announced earlier that another nearby island, Taebu Island was the most favored site for the research facilities.

The ministry is currently negotiating with the representatives of the inhabitants of the two islands about the financial and other rewards that the government had promised to offer for the area which plays host to the disposal plant and related facilities.

The main concern of those islanders is the possibility of nuclear hazard. The second biggest worry is that if the disposal site comes to their areas, land prices will plummet or at least will not rise as fast as in other areas.

Low- and medium-level radioactive waste can pose health hazards to human beings for up to 300 years, according to local nuclear scholars, only if it is not properly disposed.

However, ministry officials avowed that the nuclear disposal sites to be built in the country will be totally free from health hazards and will become one of the safest and most exemplary facilities in the world.

Though popular opposition remains strong, the government cannot afford to further postpone construction of the disposal site.

Analysts warned that South Korea may have to suspend its nuclear power generation around 2001 should it fail to find a permanent storage by the end of last year. [sentence as published]

Considering atomic reactors account for nearly 40 percent of electricity consumption here, suspension of their operations would deal a critical blow to the national economy.

In South Korea, currently there are nine reactors in operation since the first nuclear power plant was built in 1978, churning out about 5,000 drums of radioactive waste annually.

The mountains of waste, however, have been stored at provisional facilities inside nuclear power plants, raising problems regarding safety and capacity.

Waste from the nuclear power stations is classified into two kinds according to the degree of radioactivity.

Used nuclear fuel and substances reprocessed from the used fuel are called highly radioactive wastes. As South Korea strictly abides by IAEA regulations, reprocessed wastes, like plutonium essential to making N-bombs, are not produced here.

Low-grade radioactive wastes refer to almost all kinds of throwaway items used at the nuclear power stations, including operators' clothes, shoes, gloves and tools.

Defense Ministry Computerizes Command System

SK2102072295 Seoul THE KOREA TIMES in English 21 Feb 95 p 3

[FBIS Transcribed Text] The Defense Ministry has launched a military-side network system, which will enable the prompt assessment and response to any military situation by computerizing reports and commands.

A demonstration of the system called C4I was held yesterday with the attendance of the top military brass.

C4I, the acronym of command, control, communications and computerization for information, is set to substitute the current report system through fax or phone with a computer network.

The new system, scheduled to cover the regimental level of all branches of the Armed Forces by 1997, is expected to make all key changes in military situations accessible to commanders at the same time as they occur.

The system works as a report from the field is conveyed to commanders through a computer network, while gaining access to logistics at their disposal to allow them to make a decision promptly.

"C4I is an integral part in the modernization of the military as it brings closer the field and the command post," a Defense Ministry spokesman said.

"In particular, because all shifts in military situations will be accessible to commanders, more time will be allotted for decision- making processes, which will leave little room for mistakes," he said. The cost of developing the system was not revealed.

Brunei, Malaysia & Singapore

Malaysia

Aircraft, Auto Deal Signed With Indonesia

BK2302085695 Kuala Lumpur Voice of Malaysia in English 0600 GMT 23 Feb 95

[FBIS Transcribed Text] Malaysia and Indonesia today signed an agreement under which Kuala Lumpur will purchase six Indonesian-made transport aircraft. Indonesia in return will purchase from Malaysia 1,500 Proton cars and 29 light-training aircraft. The signing of the agreement for Malaysian purchase of CN-235 aircraft manufactured by Industri Pesawat Terbang Nusantara [Nusantara Aircraft Industry] was by the defense minister, Datuk Sri Najib Tun Razak, and Indonesia's purchase of the cars and light training aircraft by Indonesia's research and technology minister, Dr. B.J. Habibie. The deputy prime minister, Datuk Sri Anwar Ibrahim, who witnessed the signing, said the U.S. $100 million (?deal) would further enhance bilateral relations between Malaysia and Indonesia.

Commentary on Growing PRC Trade, Cooperation

BK2202121195 Kuala Lumpur Voice of Malaysia in English 0810 GMT 22 Feb 95

[Station commentary]

[FBIS Transcribed Text] China, once regarded as a military and political threat by many, has now emerged as an economic opportunity in the region. Thus it is no surprise the investors are entering the country in droves to make sure they will not miss a piece of the economic pie available in the country. Malaysia is no exception, as efforts are continuously being taken to upgrade trade and business cooperation between the two countries.

In view of the rapid increase in trade and the great trade potentials between them, both countries are taking measures to expand the volume of bilateral trade and investment. Among those included are counter trade, reciprocal visits by businessmen, and participation in trade fairs and exhibitions. The two-way trade would also encompass labor and technical expertise.

Bilateral trade between the two countries have been on the increase for the past two years, with trade in the first nine months last year hitting 6.48 billion ringgit. This is a 51 percent increase from the 4.29 billion ringgit registered in the corresponding period in 1993. Malaysia exported 3.86 billion ringgit worth of products to China in the same period last year. Out of that, 78 percent comprised primary commodities including plywood, processed palm oil, natural rubber, and sawn logs.

China is now synonymous with growth, opportunity, and capital gains and is expected to be among the world's top five economies by the turn of the century. Among the sectors pointed out with good investment returns in the republic are infrastructure, telecommunications, and automobiles.

Trade and cooperation between Malaysia and China also benefited from reciprocal visits made by top leaders to each other's country. Such visits not only boost bilateral ties but also economic opportunities. This can be seen from the increasing amount of Malaysian investment in China. There is also some Chinese investment in Malaysia, though not as much.

Relations between the two countries are surely heading towards better things as Malaysia is one of the countries that recognize the changes that have taken place in China and no longer regard it as a threat.

Academic Calls Australia 'Insincere'

BK2202064795 Kuala Lumpur BERITA HARIAN in Malay 22 Feb 95 p 7

[FBIS Translated Text] Kuala Lumpur, Tuesday—Australia should prove the sincerity of its stance not to oppose the establishment of the East Asian Economic Caucus (EAEC) by persuading the United States and Japan to accept the proposal.

Dr. Chandra Muzaffar, political science expert from the Universiti Sains Malaysia (USM), described Australia as being insincere after Foreign Minister Senator Gareth Evans announced that Australia did not oppose the establishment and development of the EAEC.

"I think he said this because he was in Kuala Lumpur. I consistently believe that the country remains cool toward the EAEC, although Evans' statement reflects a shift in the Australian stance.

"In fact, that country does not like the establishment and development of the EAEC because they are more serious about developing the Asia-Pacific Economic Cooperation (APEC).

"APEC is important for Australia because it is only through APEC that Australia can preserve its Western identity in the Asia-Pacific region. If they are truly sincere, that country should prove the sincerity by persuading the United States and Japan to accept the EAEC," he said.

Dr. Chandra, who is also director of the Just World Trust [preceding three words in English], was commenting on Evans' statement yesterday that Australia did not oppose the establishment and development of the EAEC.

Dr. Chandra said that the idea of establishing APEC was mooted by Australian Prime Minister Bob Hawke during a banquet in South Korea in 1989 with the hope that his country would be able to preserve its Western identity in the Asia-Pacific region along with Canada and the United States, which are also members of the forum.

"The establishment of APEC endorsed by the United States was also aimed at enabling the United States to preserve economic control in the Asia-Pacific region. That is why they consider the EAEC a nuisance," he said.

Ministry To Study Future Industrial Growth

BK2202070995 Kuala Lumpur THE STAR in English 22 Feb 95 p 4

[Report by Halidz Mahnar, Sharilah Halizah Kadir, and John Tallala]

[FBIS Transcribed Text] The government is undertaking a comprehensive study to chart the future growth of industrialisation for the period 1996-2005, International Trade and Industry Minister Datuk Sri Rafidah Aziz said yesterday.

To be completed by year-end, the study would incorporate new approaches such as the "cluster" approach and a "rolling plan" used to identify concentrations of interdependent firms in related industries and provide periodic reviews.

The study would evaluate the strengths and weaknesses of the present industrial structure and identify new and potential sources of growth to promote and sustain a broader, deeper and more integrated manufacturing economy, added Rafidah.

She said private sector inputs were necessary to ensure effective implementation.

The private sector must work closely with the government to meet new developments, such as intensification of global competition, which will have a profound impact on the future growth of Malaysia.

Among local challenges facing the private sector, Rafidah cited skills shortages, increasing labour costs and lack of technological capabilities as issues that needed to be addressed.

"Limited domestic manufacturing capabilities, a high dependence on foreign investment and intermediate goods, and lack of linkages between multinational companies and larger manufacturers with local small and medium-size industries (SMIs), are also challenges facing the private sector," said Rafidah.

She was speaking on the second day of the Ministry's week-long annual dialogue with the private sector in Kuala Lumpur.

According to Rafidah, in order to achieve Vision 2020 targets, apart from the present policies and strategies, new measures would be undertaken to accelerate the growth of the manufacturing sector.

Rafidah said among the major objectives of the new industrial strategy was the development of a dynamic, integrated and diversified manufacturing economy with "intra- and inter-linkages" with other sectors, including the service sector.

The new strategy would also seek to develop a technically proficient and productive industrial workforce while enhancing indigenous technical capabilities, in addition to enhancing the export capabilities of SMIs and developing support and ancillary industries.

"The development and expansion of market opportunities under the ASEAN Free Trade Area and World Trade Organisation and the enhancement of domestic investments and the inflow of appropriate foreign capital and technology would also fall under the new strategy," said Rafidah.

According to Rafidah, there is a need to create new sub-sectors of industry, six of which had already been identified. They are aerospace, advanced materials, microelectronics, automated manufacturing technology, biotechnology and information technology.

The Government might take the initiative in setting up these industries in the initial stages, she added.

Singapore

Ong Reviews Visit to Philippines, Future Ties

BK2102041295 Singapore THE STRAITS TIMES in English 20 Feb 95 p 2

[Report by Sumiko Tan in Cebu]

[FBIS Transcribed Text] More exchange of visits between Singapore and Philippine leaders and businessmen could lead to increased trade and investments which would benefit both countries, said President Ong Teng Cheong.

Wrapping up his five-day trip to the Philippines at a press conference with Singapore reporters, he noted that Singapore desired to promote economic cooperation with the Philippines for mutual benefit.

"But to do that, I think there should be more exchange of visits, not just the leaders but also businessmen," he said on Saturday evening.

He pointed out that Trade and Industry Minister Yeo Cheow Tong recently led a business delegation here, and this reflected Singapore's desire to increase its business presence in the country.

Singapore entrepreneurs, he said, have shown a keen interest in the Philippines. Those who have been here saw potential not just in tourism but in other areas. Asked what sort of joint ventures he could forsee, he said this was best left to the private sector to decide.

Businessmen should visit the country to consider for themselves its potential and to find the right partners, he said.

He added that the Philippine leaders he met were keen to introduce their businessmen to those from Singapore.

He saw the Philippines-Singapore Business Council, which was launched last year, as a very useful vehicle to promote trade and investments, and he hoped many joint ventures would form under its framework.

Mr Ong, who was accompanied by the First Lady, was on his first state visit since he became president in September 1993.

He met leaders in the busy capital of Manila, the northern mountain resort of Baguio, and the commercially vibrant island of Cebu in the central part of the country.

His visit received prominent coverage in all the major Philippine newspapers, with most of the reports angled on both countries' desire to increase trade and investments.

At the press conference on Saturday, Mr. Ong said he was happy with his visit as it allowed him to renew ties with President Fidel Ramos, whom he last met in Singapore last October.

He had also not been to the Philippines since a working trip to Manila about 10 years ago and had been looking forward to coming back.

This was also the first time he had been to Baguio and Cebu, and he had been keen to see for himself the developments that had taken place there.

Of his talks with leaders, he said no substantive subjects were discussed as bilateral ties were problem-free.

Asked about his impressions of the cities he saw, he said he was struck by the number of new high-rise office buildings, shopping centres, and condominiums in Manila.

He described Baguio as a lovely scenic place and remarked on the resort's weather, which averages about 18 deg. C, but was cooler while he was there.

"I always enjoy going up to hill-top resorts. It is better than air-conditioned rooms because it is all fresh air," he said with a smile.

He noted that his stay in Baguio, where he had also played golf, was brief and added that he hoped to come back in the future for a holiday.

Cebu, which he toured, impressed him as a vibrant and dynamic city with a lot of potential for trading, investments, and tourism.

Mr. Ong, who was accompanied by Foreign Affairs Minister S. Jayakumar and Mrs. Jayakumar, spent his last day on a cruise around the island.

He also toured Cebu Shipyard and Engineering Works, which is a member of Singapore's Keppel Group. There he planted a Nara tree, the Philippines' national tree. He was given a 21-gun salute farewell at the airport before leaving for home yesterday.

Cambodia

Sihanouk Rejects Demand That He 'Seize Power'

BK1902120095 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 19 Feb 95 pp 1, 2

[Report by Ritthipul]

[FBIS Translated Excerpt] His Majesty King Norodom Sihanouk has said: "His Excellency Sam Rangsi, please, don't force me. I can never violate or betray the Constitution." The king stated this in his latest message sent to Sam Rangsi on 11 February.

The contents of the message was disclosed by the prince, the first prime minister, to reporters at the Council of Ministers office on 16 February. Sam Rangsi's demand that the king seize power does not conform to the king's wishes at all.

The prince revealed the contents of the king's message to Sam Rangsi, which says: I can never violate or betray the Constitution. Therefore, you are asked not to muster people to come and force me to seize power from the Royal Government of Cambodia. If I seize power, this will go against my conscience. I no longer want power. Besides, I have sworn to the nation that I will never betray the Constitution. Please don't force me to resort to a coup d'etat; I abhor coups d'etat because I, myself, was a victim of a coup d'etat. It was the coup d'etat that pushed our kingdom into hell. Therefore, I, Norodom Sihanouk, abhor coups d'etat, in any case. Whoever disobeys the Constitution, the supreme law, should be punished. So, all of you are advised not to urge me to walk along that path, no matter what. [passage omitted]

Khmer Rouge Commander, Men Defect in Siem Reap

BK2202135195 Hong Kong AFP in English 1323 GMT 22 Feb 95

[FBIS Transcribed Excerpt] Phnom Penh, Feb 22 (AFP)—A senior Khmer Rouge commander defected to the government along with 21 of his men in northwestern Siem Reap province after being ordered to raid villages and raze peasant homes, the provincial governor said Wednesday.

Commander Ret from the guerrillas' 912 division defected Monday because he disagreed with orders from the infamous Khmer Rouge military chief Ta Mok to implement a scorched-earth campaign, Governor Toan Chay told AFP by telephone from Siem Reap town.

"They expected trouble because the leaders ordered them to burn down villagers' houses and they did not agree," Toan Chay said, adding that some of the defectors had relatives living in the areas targetted by Ta Mok and 912 Division Chief Mit Kong.

The Khmer Rouge launched a ferocious campaign in the Kralanh district of Siem Reap province late last year. In a series of raids on poor villages, which were not previously known guerrilla targets, they razed hundreds of homes as well as schools and clinics.

Ret was in charge of guerrilla operations in neighbouring Srei Snam district, according to a military intelligence report.

Army General Riem So said Ret had previously been one of the notorious Ta Mok's right-hand men.

Toan Chay said that Ret and his men had also grown disillusioned with life in the forest, were short of supplies and saw no hope of victory in the Khmer Rouge's 15-year-old guerrilla struggle.

Gen. Riem So said that Ret had written a message to his fighters remaining in the bush saying he had been "warmly welcomed" by the provincial authorities, and urging them not to believe Khmer Rouge propaganda that "the government troops will kill you if you defect."

Nine other guerrillas defected Tuesday, the general added. [passage omitted]

Khmer Rouge Radio Criticizes Government

BK2302034595 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 22 Feb 95

[Unattributed commentary]

[FBIS Translated Text] By the middle of February 1995, the 17th dry-season campaign in the war of aggression and genocide of communist Vietnam, the alliance and the two-headed government that was launched in October 1994 has lasted for five and a half months. The traitorous two-headed troops of both the communist Vietnamese puppets and U.S. puppet para [former noncommunist resistance] groups have plunged into a guerrilla and people's war, a war of minefields and punji stakes, and of the campaign to smash and remove the two-headed military and civilian administrators [words indistinct] National Army of Democratic Kampuchea [NADK] and people on both the northern and southern parts of the Tonle Sap Lake, causing great exhaustion to the two-headed forces.

On the Preah Vihear, Siem Reap, and Routes 12, 68, and 69 battlefields and the areas around Battambang, countless numbers of two-headed soldiers were killed in the flames of the guerrilla and people's war. Specifically, they died from mines, poison sticks, malaria, and typhoid fever. Dozens and even hundreds of them died each day. Many others deserted the battlefield. Concerning the desertion by the puppet soldiers, more than 3,000 of them have deserted in the past three months.

The people in Phnom Penh have been talking about this matter since January, but the two-headed elements and the allies, including the humanitarian aid workers giving medical treatment to the wounded puppet soldiers, have helped them conceal this fact. This fact has now been publicized everywhere. Only after the wives of the puppet soldiers demanded the return of their husbands and the dead bodies of their husbands did they confess that many two-headed puppet soldiers were killed or wounded.

The situation in this 17th dry season is very serious for the two-headed elements. It is the continuation of the defeats suffered in the past 16 years by Vietnam and the two-headed elements, particularly in the 1993-94 dry and rainy seasons at Anlung Veng and Pailin.

By this middle of February—only two months before the end of this dry season—the two-headed elements are suffering seriously in all sectors and domains.

Militarily, they have suffered defeats on all battlefields. They are short of troops and commanders. This is because both the rank and file and their commanders fled in disarray when they hit poison stakes and mines. They were unable to withstand the NADK resistance forces and Cambodian people.

Now that these elements have suffered this seriously in the current dry season, how badly will they be beaten further by the NADK and Cambodian people in the coming rainy season?

The allies have been very worried about this. They could neither sleep nor eat. Therefore, the allies—United States, Australia, and France—have rushed to Phnom Penh one after another. The United States sent Talbott and Winston Lord of the State Department and Special Operations Commander General Downing to Phnom Penh to boost the morale the two-headed government and its ambassador, Twining, who is in great alarm and suffering from nightmares every night.

Australia and France also sent their ministers and experts one after another to help the two-headed elements [words indistinct].

It is way too late now. Nobody can rescue the two-headed elements, who are collapsing and rottening.

The events in the past 16 years are clear to all—the communist Vietnamese have suffered defeats; so have the UNTAC [United Nations Transitional Authority in Cambodia], two-headed elements, and the alliance.

In such a case, which is more beneficial—to continue fuelling the war to kill the Cambodian nation and people to enable communist Vietnam to swallow them up, or to enable Cambodia to achieve national reconciliation and peace so that not only the Cambodian nation and people but also the people in this region, Australia, France, and the whole world will benefit?

Hun Sen To Sue Newspapers Over 'Slanders'

BK2202141495 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 22 Feb 95

["Statement" issued by Second Prime Minister Samdech Hun Sen in Phnom Penh on 22 February]

[FBIS Translated Text] I, Hun Sen, am honored and pleased to inform my compatriots across the country that in recent months some newspapers have hurled groundless accusations aimed at besmirching my honor and humiliating and degrading me. I have patiently refrained from answering these immoral actions because I respect democracy and do not want to resort to nonsensical bickering through newspapers.

Nevertheless, today the slanders and insults against me have exceeded the limits of human patience. As legitimate self-defense is the right of every Cambodian, I have decided to sue the newspapers in the tribunal to attain justice for myself and preserve the dignity of other newspapers that have managed to respect the truth. My lawyer, His Excellency Kau Bunhong, will represent me as a plaintiff.

I ask my compatriots for their understanding upon hearing this statement. This is not a threat to the freedom of the press; it is merely the right to self-defense of a Cambodian citizen in conformity with Articles 38 and 41 of the Kingdom of Cambodia's Constitution.

Phnom Penh, 22 February 1995.

Hun Sen Leaves for Rotary Event in Singapore

BK2302052795 Phnom Penh National Radio of Cambodia Network in Cambodian 0415 GMT 23 Feb 95

[FBIS Translated Text] A high-ranking delegation of the Royal Government of Cambodia [RGC] led by Samdech Hun Sen, RGC second prime minister, and his wife, left the Kingdom of Cambodia [KOC] at 1030 to attend the 90th anniversary of the Rotary International association in Singapore to be held on 24 February 1995.

Seeing the delegation off at Pochentong international airport were Prince Krompreah Norodom Ranariddh, RGC first prime minister, excellency RGC members, and the ambassador extraordinary and plenipotentiary of Singapore to the KOC.

Assembly Ratifies Development Credit Agreement

BK2202104995 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 21 Feb 95

[FBIS Translated Text] The draft law authorizing the ratification of the development credit agreement was passed unanimously by the National Assembly at an extraordinary session of its First Legislature on the morning of 21 February.

The agreement was signed by the Royal Government of Cambodia [RGC] and the International Development Association [IDA], an agency of the World Bank, on 16 December 1994.

According to the agreement, the IDA allows the RGC to draw a credit of $12.6 million (?from the $17.2 million loaned to it). A special interest rate is applied to the loan in line with its purposes and according to the concrete situation concerning the Kingdom of Cambodia.

The RGC will use the credit it has obtained from the World Bank for the first time ever to implement technical assistance, public management and private sector development assistance, research foundation assistance, and training assistance.

Indonesia

Spokesman Asks UN To Replace Rapporteur

LD2202201995 Lisbon RDP Antena 1 Radio Network in Portuguese 1700 GMT 22 Feb 95

[FBIS Translated Excerpt] The East Timorese resistance is asking the UN to replace its rapporteur in Dili. [Resistance spokesman] Ramos Horta today spoke to the UN Human Rights Commission in Geneva and described thus the situation in East Timor:

[Begin Horta recording] The situation is increasingly more difficult, it has worsened, and there is a wave of terror that has spread all over the territory for some months now. This is on top of the indiscriminate arrests taking place all over the territory, which is something that has now been routine for many years. In the past few weeks, Indonesia set up a group called the Ninjas—this is not new, they had already done it a few years ago and it is happening again. Hundreds of East Timorese and Indonesians are being recruited, trained, and paid by the Indonesian authorities to kidnap, terrorize, and murder East Timorese people suspected of, or known to have links with the resistance. [end recording] [passage omitted]

Alatas, Evans Discuss Regional, NPT Issues

BK2102144995 Jakarta ANTARA in Indonesian 1205 GMT 21 Feb 95

[FBIS Translated Text] Jakarta, 20 Feb [date as published] (ANTARA)—Australian Foreign Minister Gareth Evans has expressed his concern over the incident that occurred in Liquisa, East Timor, but expressed happiness over Indonesia's fast action in dispatching a fact finding team.

Speaking to reporters in Jakarta on Tuesday after meeting with Foreign Minister Ali Alatas, he said: "We are concerned about the incident that occurred there but we are also happy about Indonesia's fast action in dispatching a military team and a team from the Human Rights Commission to investigate the incident."

During the two-hour meeting, the two foreign ministers discussed bilateral, regional, and international issues. Among other things, they discussed the preparations for the upcoming signing of the Nonproliferation Treaty (NPT) by participating countries in New York, the ASEAN Regional Forum (ARF) meeting in July, the

Spratlys issue, APEC [Asia Pacific Economic Cooperation], and the situation in East Timor.

Six people, four belonging to the GPK [Security Disturbance Movement], were killed in Liquisa, East Timor on 12 January.

The killing was rumored to have been an action by ABRI [Armed Forces of the Republic of Indonesia] personnel. In the effort to conduct a thorough investigation of the incident, the government will immediately dispatch an ABRI fact finding team, the Military Honorary Council, to find out whether the ABRI deviated from its procedures during the incident in Liquisa.

Apart from this, the National Human Rights Commission will also take the initiative by conducting an investigation into the incident. Evans said: "For the moment, it is better for us to wait for the outcome of the investigations." He added that Australia definitely hopes for reconciliation in East Timor but that this would greatly depend on the attitude of the Indonesian Government.

He said: "I think it would greatly assist the reconciliation process if East Timor was given autonomous status and if the ABRI's role in the province was reduced."

Evans believes the steps toward reconciliation will be a difficult and time-consuming process.

With regard to the indefinite extension [preceding two words received in English] of the NPT, as proposed by the United States, he said the two countries need to hold more discussions on the issue.

He said: "Australia is also a strong supporter of the 'indefinite extension' [preceding two words received in English] of the NPT because we consider this the best method to create a permanent nuclear-free world."

Alatas said that Indonesia has not formally stated its position with regard to the indefinite extension of the NPT, and that the country needs to make observations and decide whether there should be a time limit.

He said: "Nuclear and nonnuclear countries such as Australia believe the NPT should be extended indefinitely while the NAM [Nonaligned Movement] countries see the NPT as an agreement that has yet to be implemented by the nuclear countries."

According to Alatas, nuclear disarmament and a halt in nuclear weapons tests have yet to take place. As such, the NAM countries are still considering whether or not the NPT should be extended.

Daily Views Probe Into Liquica Incident

BK2202064395 Jakarta SUARA KARYA in Indonesian 21 Feb 95 p 5

[Editorial: "The National Commission on Human Rights and the Liquica Case"]

[FBIS Translated Text] A team of the National Commission on Human Rights led by its chairman Ali Said returned to Jakarta on Sunday, 19 February following a four-day investigation in East Timor. Before leaving Dili, Ali Said said that the National Commission on Human Rights will make public the results of the probe into the Liquica incident, which took place on 12 January 1995. Six persons were killed in the incident.

There was an armed skirmish between members of the GPK [Security Disturbance Movement—official term for all separatists in Indonesia] or the self-styled Fretilin [Revolutionary Front for an Independent East Timor] in Liquica. Six people who had received extensive training from the GPK were killed and an ABRI [Armed Forces of the Republic of Indonesia] member was stabbed during the skirmish.

We do not know yet what kind of information the team of the National Commission on Human Rights has managed to obtain there. The results of the probe will be submitted to a plenary session of the National Commission on Human Rights and the commission will eventually determine whether there were violations of human rights in the Liquica case, as claimed by anti-Indonesian groups abroad.

We believe that the National Commission on Human Rights will be objective. Thus, it would be better for us to wait for the results of the probe and the subsequent discussions by the commission, whose integrity, in our opinion, has been well tested since it's inception. We say this because in our opinion neither the commission's existence as an organization nor the integrity of its members, who are made up of different individuals, should be questioned. Indeed, some still question the independence of the National Commission on Human Rights and such an attitude is acceptable. We, however, believe that the National Commission on Human Rights, which is becoming increasingly an institution enabling the people to seek the protection of human rights, will gain even objectivity than it now has.

While waiting for the results of the probe into the Liquica case to be discussed, it would be perhaps worth noting the *ninja* rumor, which seems to have been spread in East Timor at the same time as the Liquica case was being revealed abroad. Security forces have arrested as many as 12 people who are believed to have spread the *ninja* rumor. They tortured residents and admitted that the rumor had been deliberately spread to discredit the ABRI, claiming that the *ninjas* are ABRI members.

In addition, it is no less important to note that Ramos Horta is consistently launching his anti-integration campaigns. There have even been indications that Ramos Horta is stepping up his campaigns with the help of anti-Indonesian nongovernmental organizations [NGOs] abroad. However, Ramos Horta *suffered a serious blow* during a meeting on East Timor organized by the so-called British Coalition for East Timor (an NGO). He was challenged by Jose Martins, an East

Timor leader, who was once president of the KOTA [Kalibun Oan Timor Aswaen or the Party of the East Timorese People] in East Timor.

"I don't know why you (Ramos Horta) spoke like that (discrediting Indonesia). You yourself know that the Portuguese Government killed and burned alive over 3,000 East Timorese in East Timor," Martins said.

We cite the aforementioned information because it is difficult to remove the impression that the Liquica case is linked with the anti-integration campaigns launched by the Fretilin remnants in East Timor, spearheaded from abroad by Ramos Horta. Accordingly, we hope that the Liquica case will be treated in a more balanced way.

Refineries Planned; Libyan Investor Possible

95SE0107B Jakarta BISNIS INDONESIA in Indonesian 20 Jan 95 p 5

[FBIS Translated Text] Jakarta (BISNIS)—PT [Limited Company] Buana Ganda Perkasa (BGP) is to produce up to 1.16 million tons of ethylene per year at a privately owned oil refinery project at Probolinggo. Meanwhile, a Libyan industrialist is interested in buying shares in the company, which is owned by Probosutedjo.

Plans for ethylene production were revealed in a PT Buana Ganda Perkasa announcement of presidential approval on 27 July 1994.

The company's total ethylene production will be twice the 550,000-ton annual production capacity of PT Chandra Asri Petrochemical Center.

Besides ethylene, the privately owned oil refinery, which is being built with an investment of $3.5 billion, will also produce up to 453,240 tons of diisopolyethylene (DIPE).

Another chemical product to be produced by the plant will be methyl tertiary butyl ether (MTBE), for which the plant will have a capacity of 196,560 tons. MTBE is used for blending gasoline, for which the refinery will have a capacity of 2.47 million tons. According to the announcement of presidential approval, the refinery's products do not include any that are compulsory exports, although PT BGP plans that 100 percent of its production will be for the export market.

Libyan Interest

To bring the project to realization, PT BGP will team up with investors from oil-producing countries in Africa and the Middle East. Plans call for importing raw materials for the refinery from the Middle East.

Meanwhile, a BISNIS source at the BKPM [Capital Investment Coordination Board] said that a Libyan industrialist is interested in owning stock in PT BGP.

"For that purpose, an investor from that Islamic country in Africa had a meeting yesterday with BKPM officials," he said. The source was unwilling to detail the results of the meeting or identify the interested investor, however.

The $3.5-billion project will be financed by $700 million of its own capital and $2.8 billion in loans. So far, all the stock in PT Buana Ganda Perkasa is owned by Wisertech Ltd., Hong Kong, which Probo [Probosutedjo] also owns.

PT BGP will also produce 4.69 million tons of kerosene and 4.74 million tons of diesel oil per year. If the entire production is exported, it will earn $2.5 billion in foreign exchange every year.

Types of oil products from Probolinggo will be very different from those from the oil refinery at Situbondo, East Java, which is planned for construction by PT Asia Pacific Petroleum Indonesia (APPI). According to the APPI's announcement of presidential approval, the plant's products will be naphtha, kerosene, auto diesel oil, marine diesel oil, fuel oil, and LPG [liquefied petroleum gas].

According to the announcement, APPI will produce annually 4.7 million tons of naphtha, 104 million tons of kerosene, 4.9 million tons of auto diesel oil, 717,500 tons of marine diesel oil, and 42,000 tons of LPG and coke.

None of these products are compulsory exports, but the company plans to export 100 percent of his production. If all of its products are exported, they will earn $2.65 billion in foreign exchange every year.

All PT APPI stock is owned by Asia Pacific Petroleum Ltd., headquartered in the British Virgin Islands. In early December 1994, the BKPM also approved the plans of PT Indo Moody Oil Co. to build an oil refinery at Pare-Pare, South Sulawesi, through an investment of $1.32 billion.

A new oil refinery investor, PT Sabang Oil Refinery, which plans to build a refinery at Sabang, Aceh, is still waiting for the president's approval.

Minister on Foreign Debt, Monetary Policy

BK2102134795 Jakarta SUARA KARYA in Indonesian 18 Feb 95 pp 1, 11

[FBIS Translated Text] By the end of December 1994, Indonesia's foreign debt had decreased to $87.6 billion—$58.6 billion borrowed by the government, $5 billion by state enterprises, and $24 billion by private enterprises.

This was disclosed in a working meeting on the 1995-96 draft state budget and the government's financial report between Finance Minister Mar'ie Muhammad and the House Commission on State Revenue and Budget on Friday [17 February].

The latest data brought some relief amid the anxiety over foreign debts. The anxiety emerged after Saleh Afiff, coordinating minister for economy, finance, and development supervision, said last January that the psychological limit of $100 billion might be surpassed by the end of the 1995-96 fiscal year. According to previous data released by the Bank of Indonesia governor, Indonesia's foreign debts totaled about $90 billion. Based on the finance minister's data, the decrease seemed to have involved private sector loans.

Bilateral loans amounting to $22.4 billion made up the largest portion of the $58.6 billion borrowed by the government. This was followed by multilateral loans amounting to $15.8 billion, export credits at $12.9 billion, and commercial credits at $1.9 billion [figures as published].

Under the composition, the DSR [debt service ratio] (the ratio between foreign debt installments and exports) was estimated at 32 percent—19 percent for government debts and 13 percent for debts borrowed by the private sector, including state enterprises. The DSR will be reduced to 20.6 percent by the end of the Sixth Five-Year Development Plan.

Foreign Commercial Loans for the Private Sector [sub-headused as a yardstick for the 1995-96 draft state budget.

During the five-year period, Indonesia secured $38.128 billion worth of foreign loans. Mar'ie, however, said that half of the amount or $19.813 billion had not been released.

Replying to questions by MPs on the government's preparations for the 1995 CGI [Consultative Group on Indonesia] meeting, Mar'ie said that the government is now preparing reports covering Indonesia's latest economic growth, measures taken to overcome such problems as inflation and efforts to increase exports, banking policies, and other subjects. "The amount and types of loans to be proposed in the 1995 CGI meeting are being processed," Mar'ie added.

The finance minister also stated that the acceleration of the repayment of foreign loans—for example by using funds from Indosat's [Indonesian Satellite Company's] "Go International" [preceding two words published in English] drive—is one measure in managing Indonesia's foreign debts. "The acceleration of high- interest foreign loans will certainly benefit the government," Mar'ie said. State enterprises—P.T. [Company Limited] Telkom, PLN [State Electricity Corporation], and P.T. Jasa Marga—are being mobilized to enter the international capital market.

Monetary Domination

During the meeting, the House Commission on State Revenue and Budget also inquired about the government's measures that tend to emphasize the monetary and fiscal sectors rather than the real sector, whereas the real problems in society stem from the real sector, which covers inefficiency, a high ICOR [incremental capital output ratio], market distortion, protection, licensing, and a bureaucracy that has caused a high cost economy.

In response to the indications, Mar'ie said that the government has tried to strike harmony between the monetary and fiscal policies on the one hand and policies in the real sector on the other. For example, in meeting domestic demands, the monetary policy is always coordinated with the fiscal policy to control inflation, which has been overshadowing the macroeconomy. Inflation is always curbed by striking a balance between demand and supply. In addition, the government is enacting measures to prevent the economy from becoming overheated [preceding word published in English].

In response to the impact of the Mexican crisis, popularly known as the Tequila fever (Mexican fever), Mar'ie said the impact has abated. Indonesia's economy is much better than Mexico's in general and macroindicators over the past three years speak for themselves 21/13]

Mar'ie Muhammad said that foreign commercial loans for the private sector are very useful for accelerating the pace of national economic development. He stressed, however, that such loans should be used to finance productive activities, especially the production of export commodities. "Foreign commercial loans for the private sector must also be monitored so as not to put an excessive strain on inflation," said Mar'ie Muhammad.

He reiterated that foreign commercial loans secured by the private sector should be reported to the Bank of Indonesia.

The finance minister added that 11.759 trillion rupiah worth of foreign aid for the 1995-96 fiscal year was intended to finance projects in various sectors. The foreign aid commitment endorsed from 1989 to 1994 was used as a yardstick for the 1995-96 draft state budget.

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Batam Inflation Rate Highest in Country

95SE0107A Jakarta BISNIS INDONESIA in Indonesian 18 Jan 95 p 17

[FBIS Translated Text] Batam (KOMPAS)—Batam Island's rapid economic growth has had impacts that need to be watched. One impact of growth is the high rate of inflation. In only 11 months, from January to November 1994, inflation in this industrial area reached 11.34 percent.

Soeryohadi Djatmiko, chairman of the Executive Unit (KASATLAK) of the Batam Authority, said this when he inaugurated the Batam Branch of the Bank of Central Asia (BCA) Monday night, 16 January. BCA President Director Abdullah Ali and his directors were present at the inauguration ceremony.

Djatmiko said that economic growth in Batam is very gratifying and is expected to be about 17 percent, which is even greater than in 1993. This satisfying indicator also invites serious inflation pressure, however.

Information gathered by KOMPAS from the Batam Branch of the Bank of Indonesia shows that inflation in Batam is certain to exceed 12 percent for the year. This inflation figure is the highest in the country, exceeding the inflation rate of only 10.81 percent in Jayapura. Jakarta reached only 10.56 percent, while it was 10.47 percent in Bengkulu and 10.44 percent in Pekanbaru.

Inflation at Batam is not included, however, in the calculation of national inflation, which uses inflation in the 27 provincial capitals as a standard. "We have just recommended that inflation at Batam be included in the national calculation so that the national inflation figure will not have a large bias," said a source at the Bank of Indonesia.

The source said that the high rate of inflation at Batam is mainly an effect of the dominance of Singapore currency as a payment instrument. Because that currency appreciates very rapidly, there is always a very sharp difference between the Singapore dollar and the rupiah.

The exchange rate of the Singapore dollar at Batam is now 1,510 rupiah, an increase of 300 rupiah over the exchange rate nine months ago. Inflation is also influenced by rising prices of basic food supplies, which are imported from overseas.

Touching on the question of banking, BCA President Director Abdullah Ali said he feels that the national banking system is very resilient to blows and shocks. He pointed out that in 1994 national banking was hit by reports of bad debts, which greatly disturbed the Indonesian banking community. "Nonetheless, those shocks and blows were navigated without any significant upheaval, except for the BAPINDO [State Development Bank] case," he said.

He added that the ability to avoid such blows and shocks is derived from the fact that the banking field in this country is very extensive. Natural wealth that is being developed, or is yet to be developed, provides a guarantee for the many business transactions that are still awaiting banking services.

He acknowledged that, although there are yet tens of millions of people who can be attracted as customers, national banking operations still need many improvements and much modernization. For that reason, domestic banks are racing to improve themselves for the sake of enhancing their quality.

He said that to improve the quality of its services, BCA has introduced an "integrating bank system," which began operating with great caution on 2 January. In parallel with these improvements, BCA assets in 1994 reached 18.5 trillion rupiah, and BCA gathered profits of 132 billion rupiah. "BCA now has 450 offices in Indonesia and overseas, with 4.1 million customers. We also have 240 ATM's [automated teller machines] and are constantly expanding credit card services," he said.

Pramono Hardjosaputro, head of the Batam Region of the Bank of Indonesia, called on domestic banks to observe the three principles of efficiency, professionalism, and soundness. The Bank of Indonesia will continue to seek improvement in banking regulations.

In this globalization era, banking is challenged to be competitive but cautious. Thus, if banking soundness is carefully observed, public confidence will continue to increase. To that end, the provision of credit must be to productive businesses, especially to those in weaker economic groups, without neglecting sound economic principles.

He reported that funds gathered from the public by banks at Batam total 425 billion rupiah but said that credit has reached 596 billion rupiah. "Therefore, I ask attention to this, so that the flow of savings from members of the public will be larger than the credit being provided," he said.

Philippines

Ramos Welcomes U.S. Bilateral Naval Exercises

BK2202095095 Hong Kong AFP in English 0925 GMT 22 Feb 95

[FBIS Transcribed Text] Manila, Feb 22 (AFP)—The Philippines on Wednesday said it was building lighthouses and running naval patrols close to a Chinese-held reef in the Spratly islands as the two governments prepared to discuss a recent dispute in the area.

"They (the lighthouses) ensure safety at sea for all nations that pass through those waters. Secondly, they provide landmarks to where our territories are," President Fidel Ramos told a news conference.

He did not say on which islands the structures were being built, or when the project started.

Manila recently lodged a diplomatic protest with Beijing over the Chinese navy's building of structures on Mischief Reef, which is claimed by both countries.

Ramos also welcomed a US offer to Southeast Asian countries to take part in bilateral naval exercises, which analysts say was aimed at reassuring the region of Washington's commitment to regional security amid fears over China's claim to the entire South China Sea.

Ramos said the construction of the lighthouses in Philippine-held islands in the disputed chain were in accordance with the UN Convention on the Law of the Sea, which allows archipelagic countries like the Philippines a 200-mile (320-kilometer) exclusive economic zone.

Earlier Wednesday, armed forces chief General Arturo Enrile said three Philippine naval craft were patrolling within "half a mile" of the two Chinese vessels guarding the permanent structures erected by China on Mischief Reef, one of the Spratly spits claimed by the Philippines.

No untoward incidents had been reported, Enrile said.

Philippine Foreign Undersecretary Tomas Padilla said talks between Manila and Beijing over the Spratlys dispute should begin "hopefully soon at lower levels with the (Chinese) embassy and our embassy in Beijing."

China's ambassador to the Philippines Huang Guifang, giving no further details, said that "both sides are now working on that direction."

Ramos also ordered the formation of a government task force tasked with "arriving at a just and peaceful settlement" of Philippine claims in the Spratlys."

He reiterated that his government was "remaining faithful" to the Manila Declaration of July 1992, which called for the maintenance of peace and stability in the South China Sea.

Rival claimants Brunei, Malaysia and the Philippines were signatories of the document, while China and Vietnam have proclaimed adherence to it. Aside from the five, the chain is also claimed by Taiwan.

Asked whether the proposed bilateral naval exercises between the United States and other Southeast Asian countries by mid-1995 would send the wrong signals to China, Ramos said the exercises had "no connection" with the current Spratlys dispute, since "these were ongoing for quite sometime."

The United States had merely "renewed invitations to countries concerned, so that they can make some kind of exercise schedule in the future," Ramos said.

Ramos, Romulo View Status of Spratlys Dispute

BK2202125695 Manila MANILA STANDARD in English 18 Feb 95 p 3

[Report by Fel V. Maragay]

[FBIS Transcribed Text] President Ramos expressed the belief yesterday that the United States will be forced to intervene in the Philippine-China conflict over the Kalayaan Islands if the situation deteriorates into a shooting war.

The president said the strategic sea-lanes passing through the Spratlys archipelago, of which Kalayaan Islands are a part, are so widely used by regional trade that any armed conflict there would prejudice not only the Philippines, China, and other claimant-countries but also the entire Asia-Pacific community, including the United States and Japan.

China's occupation of Panganiban Reef (called Mischief Shoal in the international map), which is part of Kalayaan Group of Islands being claimed by the Philippines, has ignited fears of an armed confrontation.

The poorly-equipped Armed Forces of the Philippines [AFP] is no match to China's military might in case it embarks on a full-scale invasion of Kalayaan Islands.

The United States is the only ally that could possibly come to the aid of the Philippines, if war breaks out. But Foreign Secretary Roberto Romulo contends that the RP [Republic of the Philippines]-U.S. Mutual Defense

Treaty of 1951 does not bind the United States to come to the defense of the Philippines in case of armed conflict in the Kalayaan Islands.

Romulo said the treaty explicitly provides that the United States' obligation to come to our aid covers only to the "metropolitan territory" of which Kalayaan is not a part. The Kalayaan Islands were not yet part of Philippine territory when the treaty was forged.

Clinton assurance

Speaking at his weekly press conference, the president said U.S. President Bill Clinton had assured him that United States will not allow the use of force to solve the dispute over Spratlys.

"I also believe it is in this context that President Clinton expressed to me personally—during my working visit to Washington D.C. in November 1993—America's resolve to oppose any resort to force in the Spratlys by any of the claimants," Mr. Ramos said.

Echoing the president's view, Secretary Romulo said the United States cannot afford to take a passive position to prevent the Kalayaan conflict from worsening.

"What is more important is what U.S. President Clinton has pointed this out, that the sea-lanes are important to them and they oppose the use of force in that area," the foreign secretary told newsmen in an ambush interview.

Mr. Ramos said his order to the AFP for beefing up troops and naval presence in the Kalayaan area was necessary for "self-defense" and should not be taken to mean the Philippines is gearing for war.

He emphasized that the Philippines will use every diplomatic option available to resolve the conflict.

"Our first and only approach is consultation—to produce among the six claimant-states a consensus," Mr. Ramos told the press conference.

National interest

The Chief Executive added that "it is in our paramount national interest to avoid a shooting war."

Secretary Romulo brushed aside reports that the Philippines had been forewarned by the United States about China's military buildup in the Spratlys. The warning was made by the United States last year while it is negotiating a cross-servicing agreement (CSA) with the United States.

The CSA will enable U.S. warships to dock, refuel, and undergo repair in Philippine naval bases and commercial ports.

The United States was expecting the CSA to be forged last November when President Clinton visited the Philippines. But the agreement had not been finalized due to certain objections by the Philippines.

Secretary Romulo also dismissed allegations that the United States may be encouraging China to take aggressive actions in the Spratlys to pressure the Philippines into finalizing and signing the CSA.

"That has no relation to cross-servicing. In fact many people keep talking it has some relation and there's all sorts of plans on our part to relate it to modernization (of the AFP). I find that flattering because we are not that Machiavellian," Romulo said.

Romulo said that Beijing has not officially responded to Manila's notice of diplomatic protest over China's incursion into the Panganiban Reef.

"All I can say is that there was a specific protest made and no official response has been made," he said.

DFA Official Views SRV Garrisons in Spratlys

BK2202130495 Manila MANILA STANDARD in English 18 Feb 95 p 3

[Report by Merlinda Manalo]

[FBIS Transcribed Excerpt] The Department of Foreign Affairs [DFA] yesterday downplayed reports that Vietnam has set up naval garrisons in the Kalayaan Group of Islands in the Spratlys, but continued to condemn China's recent intrusion in the disputed area as a "serious breach of the norms of friendly conduct" among nations.

Foreign Secretary Roberto Romulo explained that it was unnecessary for the DFA to protest Vietnam's reported military buildup on four islands of the Kalayaan group of the Spratlys, because this was done before July 1992, the year that ASEAN signed the Manila Declaration calling on claimants to exercise restraint and seek a peaceful settlement to their territorial dispute.

Reports quoting military intelligence sources said Vietnam had built naval garrisons in Pugad, Binago, Lagos, and Rurok in Kalayaan and armed these installations with light to medium anti-aircraft weapons.

The military sources said Vietnam's buildup may give China a convenient excuse for not withdrawing the naval structures it set up in Panganiban (Mischief) Reef in the Spratlys last year. The reef is being claimed by the Philippines.

Romulo, however, emphasized a distinction between the two incidents: Vietnam set up its garrisons in the disputed area in the 1980s, when the Manila Declaration was not yet signed by ASEAN members and supported by China and Vietnam. China, however, built four structures, believed to be naval installations last year in and around the disputed reef, despite the declaration.

"All of ASEAN signed and Vietnam and China acceded to the declaration. Since then, everyone has exercised self-restraint in the Spratlys. What happened in Panganiban Reef was the exact opposite of self-restraint. With respect to Vietnam, those were incidents that happened long before July 1992," Romulo said.

Extremely concerned

He said the Philippines became extremely concerned over the Panganiban Reef incident because this is the first time that one has breached the norm of friendly conduct with another nation.

Vietnam also set up 20 other installations in other islands of the Spratlys not being claimed by the Philippines but these were all done before the Manila Declaration of 1992.

Although the Philippines has continued to denounce China's intrusion in Kalayaan, it has yet to receive an official reply from Beijing on the issue.

The Philippines has filed a strongly worded diplomatic protest with China over the Panganiban Reef incident.

"There has been no substantive reply yet from Beijing. In diplomacy, I will concede there are multiple vehicles to give a response in both official and informal channels, but there has been no direct response from Beijing," Romulo said. [passage omitted]

Senators Fear 'Full-Blown' War Over Spratlys

BK2202134395 Manila MANILA STANDARD in English 18 Feb 95 p 3

[Report by Marichu Villanueva]

[FBIS Transcribed Text] Senate leaders yesterday expressed fears that the new tensions over the disputed Spratly Islands arising from China's occupation of Mischief Shoal, known as Panganiban Reef in Philippine map, would degenerate into a full- blown military confrontation between the two countries.

In a related development, Malacanang [presidential office] and the Senate welcomed reports that the tour of duty of Chinese Ambassador to the Philippines Huang Guifang has been extended.

Senators Blas Ople and Rodolfo Biazon voiced the apprehension a day after the Armed Forces of the Philippines (AFP) had sent a fleet of five ageing F-5 fighter planes to keep watch over Mischief Shoal, which has been taken over by the People's Republic of China (PROC).

The two senators though viewed with optimism the extension Ambassador Huang's tour of duty as "a clear signal" from Beijing of its desire to resolve the Spratlys issue peacefully.

Ople, chairman of the Senate committee on foreign relations, said, at a lecture-forum on Philippine Japan relations, that Japan should use its influence to encourage nations competing over the Spratlys group of islands in the South China Sea to adhere to the United Nations (UN) principles of peaceful settlement of disputes.

Ople reminded that Japan waged World War II after being denied access to major sea-lanes, like the South China Sea, which cut off its sources of oil and iron supplies.

At a press conference yesterday, Ople reiterated his call on the UN to exercise its "preventive diplomacy" by stepping into the brewing tension in the South China Sea stirred by the latest Chinese and Vietnamese intrusions into the contested islets, reefs, and sandbars.

Preventive diplomacy

"Unless resolved through preventive diplomacy, this may erupt into World War III and this is not an alarmist in any way but it is the result of well-studied assessment of the South China Sea which is a vital sea-lane for Japan and South East Asian countries, like the Philippines, and the whole world," Ople said.

Ople cited studies by war experts in the general staff colleges around the world, particularly those in the United States, that identify the conflicting claims of China, Vietnam, Taiwan, Malaysia, and the Philippines to the Spratlys as one of the potential flash points in the region.

Faced with curtailment of movement, with survival of Japan and the rest of countries in the region at stake, Ople said, "it is the general belief that Japan will re-arm itself again, including acquisition of nuclear facilities."

Ople warned that unless the UN "steps in to defuse the mistrust" in the South China Sea, the dangerous precedent that may lead to the possible outbreak of WW III looms.

Sen. Biazon, retired Armed Forces chief of staff, for his part, called the sending of troops and augmentation elements to the Spratlys, or Kalayaan Island Group as known in the Philippines, a "right step to signal to the world our determination to protect our national interest in the area."

"The additional troops sent, especially to the islands occupied by the Philippine troops, is an indication of our firm resolve to hold on to these islands so that the other claimant countries will not miscalculate and take more provocative actions," he added.

Although he welcomed the show of force by the Philippine military, Biazon cautioned, however, against any further escalation of the tense situation in the Spratlys.

"Care must be taken so that this action may not be interpreted as an intention to dislodge the Chinese occupation of Mischief or the Panganiban Reef through the use of force," he said.

DFA, PRC Officials Meeting on Spratlys

BK2202070795 Quezon City GMA-7 Radio-Television Arts Network in English 0600 GMT 22 Feb 95

[FBIS Transcribed Text] Armed Forces Chief of Staff General Arturo Enrile said the Philippine Air Force has the capability of protecting the territorial airspace of the Panganiban Reef. Enrile stressed the airplanes and helicopters of the AFP [Armed Forces of the Philippines] are all in fighting condition. The AFP chief emphasized that the Armed Forces can protect and defend its territory. He also confirmed that the AFP has reinforced its forces near the area, with the addition of two navy ships. He added that the distance between the Philippines and the Chinese troops is less than a mile apart.

In a related development, the Philippines and Beijing has begun holding initial talks to diffuse the dispute over Panganiban Reef in the South China Sea. Chinese Ambassador to the Philippines Huang Guifang did not give details of the meeting but foreign affairs sources admit the meetings are between middle-level officials of the DFA [Department of Foreign Affairs] and the Chinese embassy in Manila.

Task Force Formed To Address Spratlys Issue

BK2202111495 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 22 Feb 95

[FBIS Translated Text] The government today formed the Marine and Archipelagic Development Policy Task Force Group, or MADPTG. The group's objective is to formulate actions to protect Philippine territory from foreign intrusion. In his weekly news conference, President Ramos said MADPTG will be headed by Foreign Affairs Secretary Roberto Romulo, and will include officials from the different government agencies. Ramos also said the task force will seek to find an early resolution to the Spratlys tension. The task force also aims to make Asian countries enhance their spirit of cooperation and respect the territorial boundaries of neighboring states.

Moves on Spratlys Issue Outlined

BK2202150395 Quezon City GMA-7 Radio-Television Arts Network in English 1400 GMT 22 Feb 95

[FBIS Transcribed Text] Lighthouses and navigational aides will be built on the Philippine-claimed islands in the Spratlys. The move signifies two things—compliance with the Convention on the Law of the Sea and confirmation of Philippine sovereignty on those parts.

[Begin President Fidel Ramos recording, in progress] ...and the building of an atmosphere of trust and confidence wherein a just and peaceful political or legal settlement of the sovereignty and jurisdiction claims can be achieved while at the same time, or even before, doing the research, developmental, and related tasks consistent with our existence as an archipelagic nation. [end recording]

The newly created Marine and Archipelagic Development Policy Task Group, with Foreign Affairs Secretary Roberto Romulo as head, has a month to draw up a national marine policy which will outline marine borders there.

Manila and Beijing have also begun initial talks to diffuse tensions over the Panganiban Reef in the South China Sea. Chinese Ambassador Huang Guifang did not give out details of the meeting, however foreign affairs sources told GMA news that involved in the talks are middle level officials of the Department of Foreign Affairs and the Chinese Embassy in Manila.

In the South China Sea, Philippine Navy ships came within half a mile of Chinese vessels moored near the reef. Armed Forces Chief of Staff General Arturo Enrile confirmed two Chinese ships are still in the area and that our vessels got close enough to warn the Chinese that they were trespassing.

Public Sector Deficit Reached New Low in 1994

BK2102125195 Manila BUSINESS WORLD in English 16 Feb 95 pp 1, 6

[Report by Micheline R. Millar]

[FBIS Transcribed Text] The consolidated public sector deficit (CPSD) stood at P[Philippine pesos]1.7 billion in 1994, based on preliminary figures from the Finance Policy and Planning Office (FPPO). The figure represents 0.1 percent of the gross national product (GNP) and is, by far, the lowest level achieved by the public sector.

The preliminary CPSD is a great improvement over the 1994 programmed level of P37.7 billion, which represents 2.2 percent of GNP. The 1993 level stood at P34.3 billion or 2.3 percent of GNP.

Based on FPPO figures, public sector borrowing requirements last year totalled P10.71 billion. Earnings of government financial institutions (the Social Security System, the Government Service Insurance System, the Development Bank of the Philippines, Land Bank of the Philippines, and the Philippine National Bank), Bangko Sentral [Central Banklargely stemmed from the P18.11-billion surplus generated by the national government last year, Finance Undersecretary Juanita Amatong yesterday told participants of a forum on government spending and financial build-up. The forum was hosted by the Philippine Exporters Confederation, Inc. at the Manila Hotel.

Despite its improved fiscal position, the public sector continues to show signs of weakness in the areas of fiscal management and expenditure, former Budget Undersecretary Benjamin Diokno told forum participants.

Mr. Diokno said certain critical areas need to be addressed, specifically, the low tax effort, the high debt ratio, inadequate infrastructure investments, continued assistance to government- owned-and-controlled corporations and the mounting request for wage increase by government workers and for a bigger outlay for the military.

He noted that by international standards—the norm being 18 percent-20 percent of the GNP—the country's tax effort is low at an estimated 15.5 percent this year. In 1994, it was 15.7 percent; in 1993, 15.3 percent.

Mr. Diokno said efforts should be made to simplify the tax system rather than concentrate on generating higher taxes.

"Government should also lower international trade taxes in view of the emerging new world trade order with the establishment of the World Trade Organization and the ASEAN Free Trade Area (AFTA) scheme," he said.

Another problem is debt service which remains a big component of the national budget. Total domestic and foreign debt as a percentage of gross domestic product (GDP) declined from 63.1 percent in 1987 to 58.1 percent in 1989. It ballooned to 73.1 percent in 1993 before settling at 62 percent last year.

"It is possible to outgrow our debt if the economy grows faster than real interest rates. Government should also carefully look at the interest rate policy since lower interest rates would translate to lower public sector deficit and higher private investment, which would eventually lead to increased output," Mr. Diokno said.

Government also fared poorly in addressing the country's infrastructure needs, he said. Public infrastructure expenditures currently stand at less than 2 percent of GNP, a far cry from the 5 percent international norm.

"When you simply replace existing infrastructure, the activity does not add to the existing capital stock and this is what we did in our efforts to rehabilitate after the series of calamities (such as the Mt. Pinatubo eruptions). Eventually, we will have a lot of catching up to do and this will entail a huge expenditure," Mr. Diokno said.

He proposed that privatization proceeds should go to capital spending and the retirement of some of our public debt, a suggestion already being pushed by Finance Secretary Roberto F. de Ocampo. Public 21/12] and local government units totalled P9.01 billion.

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He proposed that privatization proceeds should go to capital spending and the retirement of some of our public debt, a suggestion already being pushed by Finance Secretary Roberto F. de Ocampo. Public investments should be prioritized, he said.

Thailand

Ex-Minister Decries U.S. 'Market Colonialism'

BK2302085395 Bangkok THE NATION in English 23 Feb 95 p A7

[From the "Letters" Column]

[FBIS Transcribed Text] Insurance is a market field in Thailand over which the US seeks to achieve overall control. Already, the AIA (American Insurance Association) controls more than half of the national market and it wants to expand further and make Thailand an American economic colony, particularly in that respect.

Regarding the present feud, Columbia Encyclopedia gives the following definition: "Fiduciary" as its Latin origin indicates is: "in law, a person who is obliged faithfully to discharge a responsibility of trust toward another." Consequently, there can be no doubt that property insurance is a fiduciary operation.

On the other hand, it is interesting to observe that while previously, the "imperialist" insurers based their claim for establishing provincial branches on the Treaty of Amity, they now shift to some vague "International negotiating standards" which they hope will work miracles like their infamous S [Super] 301. The reason for the change is perhaps they realize that the days of the said Treaty are numbered; it will either be revised or denounced. The latter should have been the case long ago, had it not been for the work of a "Noriego [name as published] type" agent introduced by a foreign Intelligence Organization into our political setup.

That explains why the American Embassy official declined to reveal his identity. He must pertinently be conscious that he did not know what he was talking about. The "bogus" or the "phoney" therefore should not apply to the Thai authority but to accuser himself.

Indeed, what deserves more to be called "bogus" and "phoney" or simply sheer "thievery" is when the purchases of war planes or commercial planes are excluded from the account of trade balance. Obviously, those people think that the said merchandise is paid for with marbles or peanuts.

This whole business seems, in fact, to be part of a wider campaign to institute a novel form of market colonialism.

[Signed] Thanat Khoman

Continuing Reportage on Fall of Kawmura Camp

Defense Minister Gives Warning

BK2302032795 Bangkok BANGKOK POST in English 23 Feb 95 p 9

[FBIS Transcribed Text] Thailand will not let Karen National Union [KNU] rebels use its border areas as a base to stockpile weapons and build up forces to continue their struggle for autonomy against the Burmese government after the fall of Kawmura camp, Defence Minister Wichit Sukmak said yesterday.

Gen Wichit conceded his ministry was worried about the possible spread of guerrilla warfare along the Thai-Burmese border and insisted Thailand would not tolerate the use of its soil as a staging area by Karen rebels.

He said the Government would also have to make the Burmese government understand that Thailand did not and would not support military operations by KNU guerrillas.

Thai soldiers have disarmed Karen forces fleeing Burmese troops into Thai border areas. The Government, meanwhile has repeatedly announced it would not interfere in Burma's internal affairs.

Gen Wichit said Thailand has provided only humanitarian assistance to Karen rebels who crossed into its territory to escape attacks by Burmese soldiers.

In fact, he said only a small faction had crossed the border into Thailand after the fall of Kawmura base.

The majority of Karen soldiers have reportedly moved to a new stronghold in an area inside Burma controlled by the KNU to prepare for another round of fighting with Burmese troops, according to the Defence Minister.

Gen Wichit confirmed clashes between Karen and Burmese forces occurred outside Thai territory and that there had not been any incident which would lead to a confrontation between Thai and Burmese troops.

The Third Army Region has also been safeguarding border areas straddling Burma.

Gen Wichit said he has not yet received official reports about allegations that Burma had used chemical weapons against the Karen guerrillas. However, according to information he has obtained so far the chemicals allegedly used may be tear gas, he said.

As for his order for the Royal Thai Navy to postpone its procurement of two submarines pending budget problems, Gen Wichit said whether the subs would finally be purchased or not depended on changes in the situation and threats to national security in the future.

Gen Wichit, however, said Thailand's national security policy has focused on protecting the country and establishing friendly relations with neighbouring countries, not on taking an offensive stand.

He conceded that stockpiling weapons by a country could affect the "feelings" of its neighbours.

Buddhist Karen Flags Flown

BK2302025295 Bangkok THE NATION in English 23 Feb 95 p P A9

[Report by Yindi Loetcharoenchok]

[FBIS Transcribed Text] Mae Sot—The Burmese Army yesterday jubilantly expressed its victory over the fall of the last major Karen guerrilla stronghold at Kawmura but did not hoist its own flag above the camp. Instead two yellow flags of a rival Buddhist Karen breakaway faction could be seen.

The raising of these two banners, with the white Buddhist emblem of Thammachak in the centre, surprised neither the embattled Karen National Union (KNU) leaders, who were ousted from Kawmura, nor Thai border authorities here who predict that the Burmese junta will claim the capture of the KNU 101st special military unit base was the work of the breakaway Democratic Kayin [Karen] Buddhist Organization (DKBO).

The Burmese junta, known as the State Law and Order Restoration Council (Slorc), in late December also claimed that the former KNU headquarters at Manerplaw had fallen to the DKBO, despite the fact that the attacks were carried out by Burmese forces with full Burmese weaponry.

At that time KNU leaders accepted that DKBO forces, who were familiar with Manerplaw ground defence and military strategy, had assisted and guided Burmese troops to take Manerplaw, situated on the west bank of the Moei River opposite Tak's Tha Song Yang district. But KNU leader Gen Bo Mya had already ordered the evacuation of Manerplaw residents—civilians and militia—when it became clear that Burmese troops were closing in to capture it.

Kawmura commander Brig Gen Htaw Hla had also ordered the evacuation of his 800-strong die-hard force early on Tuesday at 4 am and the ethnic guerrillas began crossing the Moei River into Thailand at around 4.20 am.

Thai border authorities believed the Slorc would continue to support the DKBO and probably hand over the control of the one-square-kilometre Kawmura to the breakaway group as part of its plan to legit[illegible]e the rival Karen group against the KNU, which has not yet entered peace talks with the Slorc.

The situation around Kawmura remained calm yesterday and Burmese troops were seen patrolling the camp in the morning.

Laughter and cheerful conversation among patrolling troops and senior officers could be heard from the Thai side at Ban Wang Kaeo, which was burnt down and deserted in May 1989 when the Burmese army launched a massive but unsuccessful offensive to capture it.

Burmese troops, identified by their green uniforms, were on alert and observed several groups of reporters, photographers, and Thai villagers who travelled to Ban Wang Kaeo to observe the situation at Kawmura.

When waved and shouted at by curious media personnel, many Burmese troops in bunkers and small shelters on the Moei River waved and shouted back in Burmese.

Those who were placed on guard at a wooden bridge at the entrance to Kawmura prohibited media crew members from taking pictures. "No. No. Photos," they shouted at them.

Thai border authorities said they had no information on the exact numbers of Burmese troops now stationed in Kawmura but that all together seven Burmese battalions, estimated at 3,000 to 3,500 men, from the 22nd, 44th and 77th divisions, under the strategic command of Maj Gen Maung Hla, were deployed in the offensive against about 1,000 KNU forces who defended Kawmura.

Tests Deflate Toxic Weapons Claim

BK2302135295 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 23 Feb 95

[FBIS Translated Text] Army Commander General Wimon Wongwanit has noted Thailand's policy of pushing back people who flee the fighting near the Thai-Burmese border into Thailand. Regarding the flight of Karens into Thailand, he said this Thai policy has been ongoing and that Thailand has never been involved in the fighting in the area.

On the reported use of chemical weapons in the campaign against the Karens, the Army commander said checks have revealed that this report is false:

[Begin Wimon recording] It is easy to claim that chemical weapons are being used in fighting in jungle terrain. When we saw that the Burmese soldiers were not using gas masks, however, we understood the situation. If chemical weapons are used in the jungle the gas remains on the ground for some time afterward. If they had been used the Burmese troops would have been dead. The report is untrue. [end recording]

Meanwhile, Lieutenant General Bandit Malaiarisun, commander of the First Army Region, said tests by the Army Science Department showed that the substance believed to be toxic was actually insecticide.

Chuan Receives Japanese Business Group

BK2102153595 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 21 Feb 95

[FBIS Translated Text] Shoichiro Toyoda, chairman of Japan's Federation of Economic Organizations, and his delegation paid a courtesy call on Prime Minister Chuan Likphai at Government House today. The group was accompanied by Foreign Ministry Permanent Secretary Pracha Khunakasem.

The chairman of the Japanese federation thanked the Thai Government and people for the assistance given to the Japanese people following the earthquake in Kobe.

During the visit, the chairman of the Japanese Federation of Economic Organizations exchanged views with the Thai prime minister on various topics related to the economic relations of the two countries. The prime minister reiterated the policy of the Thai Government on national development and stressed the decentralization of income to rural areas under the investment promotion plan. The government, he said, wants to see more investment by foreigners in Zone 3, which is a rather infertile area.

Japanese Intellectual Property Team Visits

BK2202121695 Bangkok Radio Thailand Network in Thai 0530 GMT 22 Feb 95

[FBIS Translated Text] A delegation from the Japanese intellectual property association called on the Thai deputy commerce minister this morning to discuss the issue of intellectual property protection in Asia. The Thai deputy commerce minister, Kopsak Saphawasu, told reporters:

[Begin recording] The Japanese intellectual property association, which belongs to the private sector, has begun to pay attention to a system of intellectual property protection in Asian countries. The discussion with the eight-member Japanese delegation touched on general issues. It is noteworthy that for the first time the very important Japanese mission decided to visit three countries. The team arrived in Thailand yesterday after visiting Indonesia. Tomorrow they will go to Vietnam. I wonder why, because normally they only pay attention to countries in Europe and the United States. This year is the first year they have come here. After observing our operations, the mission repeatedly remarked that they felt our intellectual property department still lacks personnel and budget. They asked if it was because the Thai Government paid too little attention to the issue. I told them that our government has paid a lot of attention to the issue. Admittedly, it is an issue we have just begun to deal with and our intellectual property department has only recently been established. However, the discussion was very useful. In addition, they also noted that our private sector does not seem to be as active as theirs. They said their association was founded 40-50 years ago, but it has only been active in an united way for about ten years. Because the Japanese private sector has close relations with its government, I asked them to pressure the Japanese Government to place importance on the issue of intellectual property rights in Thailand and also provide more assistance to the Thai intellectual property department. In fact, the Japanese Government has set aside 432 million yen for our intellectual property department to use for a project on a computer data system which will involve various data on the patent issue. The project will begin next year. [End recording]

Japanese Firm Picks Nation as East Asia Hub

BK2202084695 Bangkok BANGKOK POST in English 22 Feb 95 pp 17, 28

[Report by Errol de Silva]

[FBIS Transcribed Excerpt] Mitsui & Co, one of Japan's largest trading companies, has chosen Thailand to be the centre for its thrust into Indochina and ASEAN where a substantial number of megaprojects will be undertaken according to Mitsui Group's president and chief executive Naohiko Kumagai.

Mr Kumagai arrived in Bangkok as a guest of the Board of Investment [BoI] to participate in the forum of 50 chief executives held last week in conjunction with BoI Fair '95.

The Thai operations of his company had been growing at a pace parallel with the dynamic expansion of Thailand's economy, he said.

In Thailand, Mitsui has been engaged in petrochemicals, foodstuffs, general merchandise, machinery, the automotive industry, petroleum engineering and energy exploration, construction and housing development, transport and information technology.

He said Mitsui in Thailand was concentrating on three main areas of industry: basic industries such as petrochemicals, iron and steel, new areas such as information services and processes; and megaprojects such as those in the Greater Mekong Subregion and IPP (independent power production) as well as infrastructure-related work.

According to Mr Kumagai, Mitsui has allocated US$3.7 billion for the development of new projects in Thailand.

He said the new investment input would not be limited to Thailand alone. Mitsui would make strong contributions to regional industrial development in Burma, Laos, Vietnam, Cambodia and Yunnan in China, with Thailand as its base.

"Offices in these countries are under the control of Mitsui's headquarters in Tokyo but, because of its geographical advantages, Thailand has emerged as the centre of this region. Therefore, our physical presence in each of these countries is unnecessary," he said.

Referring to other side of the investment spectrum, the ASEAN region, Mr Kumagai said there were regular meetings among the presidents and the general managers of Mitsui in ASEAN to coordinate the group's business.

"This is because nowadays there are constant opportunities to work together instead of being independent, because of the multinational character that is emerging in the region in respect of development. Such cooperation is becoming more important for success in business development."

In ASEAN countries, the key is strategic collaboration, he said.

Mr Kumagai said Thailand had by far the biggest operation of all Mitsui's branches in the region. [passage omitted]

Agriculture Minister on Cooperation With PRC

BK2202150595 Bangkok Radio Thailand Network in Thai 1200 GMT 22 Feb 95

[FBIS Translated Text] The agriculture and cooperatives minister is preparing to ask the cabinet to approve agricultural cooperation with the PRC. Mr. Prachuap Chaiyasan, minister of agriculture and cooperatives, told reporters at the Agriculture and Cooperatives Ministry that following his field trip to the PRC last week he believes that China has potential in the fields of livestock breeding, fishery, and production of crop seeds and that it also has many experts and modern tools. He therefore signed a memorandum of understanding on cooperation in these four areas. Details are now being prepared for presentation to the cabinet for endorsement.

[Begin Prachuap recording] With regard to fishing, particular emphasis will be placed on inland fisheries, or the so-called semi-salt water fisheries. It is actually the same kind of fresh water fishing that we have practiced in fish ponds and that is being promoted in our country at present. The Chinese have many lakes and rivers for fish rearing, and they wish to make an exchange with us in this field. We want to learn from them and obtain the breeds of fish they have raised in their country. The types of fish being raised in our country all come from China. Fishing is considered the main issue in addition to the crop seeds. With regard to the exchange, we want to make an exchange of agricultural experts in all branches, including farm machinery. The agreement, or memorandum, was signed on the basis of these four points. [end recording]

Australia's Evans Visits, Discusses Burma

BK2002162595 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 20 Feb 95

[FBIS Translated Text] Australian Minister for Foreign Affairs Gareth Evans has had a meeting with Deputy Foreign Minister Surin Phitsuwan. The discussion, which lasted more than half an hour, covered the topics for the meeting on regional economic and security cooperation, which is scheduled to be held in Brunei in July. The deputy foreign minister also described a plan to set up a Thai-Australian committee at the ministerial level and spoke about the general concern over the situation in the South China Sea, especially the dispute over the Spratly Islands, claimed by the Philippines and China. He also raised the issue of the suppression of ethnic minorities in Burma.

[Begin Surin recording, in progress] ...on the reaction of the nations in Southeast Asia, or ASEAN. We expressed our concern over the situation in the South China Sea, especially the ongoing dispute over the Spratly Islands. We hope that all parties will abide by the ASEAN resolution, announced in Manila in 1992, calling on all parties which lay claim to the Spratly Islands to seek a peaceful settlement of the conflicts. Thailand is not a party to the dispute. [end recording]

The Australian foreign minister, meanwhile, expressed his disappointment at what was going on in Burma—the human rights violations, which are getting worse every day, a trend which is in contrast to national development. He said that by July Burma should set free Aung San Suu Kyi because the Burmese Government has no justification for detaining her under its constitution. Australia calls on countries in the ASEAN bloc to review their attitudes toward Burma and their policy of constructive engagement with it, because the Burmese Government is violating human rights by intensifying its suppression of ethnic minorities.

French Minister Seeks Stronger Trade Ties

BK1802124295 Bangkok BANGKOK POST in English 18 Feb 95 p 17

[Report by Darani Kothadapani]

[FBIS Transcribed Excerpt] The visit of the French Minister for Industry, Postal Services, Telecommunications and Foreign Trade to Thailand is perceived as the beginning of a new phase in Franco-Thai relations.

"The French Government wishes to start on a new era of cooperation with Thailand," Jose Rossi told a news conference in Bangkok yesterday, the second day of a three-day visit.

This is the first official visit by a French minister in five years.

Mr Rossi, who was scheduled to meet Prime Minister Chuan Likphai later yesterday, said he would hand over a letter from French Prime Minister Eduard Balladur. [passage omitted]

"France will use its presidency of the European Union to facilitate relations between the EU and Thailand," Mr Rossi said. "We are very favourable to the idea of an EU-ASEAN summit which could be held in Bangkok at the end of 1995 or in early 1996. It will include the ASEAN countries along with China, Japan and Korea."

In the economic sphere, France is the fourth largest exporter in the world at the moment, but it has not made efforts up until now to increase trade with Thailand in keeping with its development, he observed.

Trade between the two countries rose from US$893 million in 1988 to almost US$1.4 billion in the 12 months ending last September. France ranks 10th among foreign suppliers to Thailand, with a 2 percent share of the market, lagging behind Japan with 30 percent, the United States with 12 percent and Singapore with 6.5 percent.

A high-technology French fair will be organised in Bangkok in 1996 by the French foreign trade ministry. Mr Rossi said he favoured a proposal to set up an informal group of Thai officials to take charge of strengthening the relationship between the two countries.

The French company Aerospace will supply the satellite for Thaicom III. The launcher has not been decided, but Thaicom I and II were launched by Arianespace. "This is the first time an ASEAN client will buy a French satellite and this is significant," Mr Rossi said.

Deputy Prime Minister Suphachai Phanitchaphak, whom Mr Rossi met on Thursday, assured the French minister that the Thai Government would show a spirit of equity, fairness and transparency in the case of the award of terminal design for Bangkok's second international airport.

Mr Rossi also discussed problems faced by the French joint venture Thainox, a stainless-steel manufacturing company in Rayong, with Finance Minister Tharin Nimmanhemin.

"Currently, the raw material for the manufacture of stainless steel bears a higher tariff than the end product, with the result that there is no incentive to transform the raw material into finished product. We were assured of a fair deal," said a member of the delegation accompanying the minister.

Several French banks are considering the possibility of operating in Thailand. Officials discussed BIBF [Bangkok International Banking Facilities] and branch licences with Mr Tharin.

Societe General, which now operates a BIBF licence is keen on acquiring a full branch licence and will make its application shortly. Of the eight French banks operating in Thailand, only Banque Indosuez has such a licence, three operate BIBFs and the rest have representative offices.

"Their role is rather limited, and we would like a larger role in the financial market," Mr Rossi said.

On a regional basis, the construction of roads in Laos, Cambodia and Burma, with Thailand as a hub, along with energy projects in the region, are likely to attract French firms, he said.

With regard to Burma where business opportunities are being reviewed, France has what it calls a "critical dialogue" relationship. "The French position on the rights of man is well- known, but we are present in every country in the world, despite the events in these countries," he said.

The French are also interested in a high-speed train project to connect Bangkok with Rayong. In addition to the aviation industry in which they scored a success recently by selling 33 Airbuses to Thai Airways International, the French see opportunities in the telecommunications area.

German Minister Discusses Democracy, Burma

BK2302065495 Bangkok THE NATION in English 23 Feb 95 p A9

[FBIS Transcribed Text] Visiting German Deputy Foreign Minister Helmut Schafer said yesterday that Burma should develop further towards democracy and open more to the international community.

Schafer declined to comment specifically on the present situation in the country, saying that he would visit Rangoon to see the situation there for himself before making comment.

"I will visit Rangoon (today) and expect to meet some important leaders of the country. We would like Burma to develop like neighbouring countries," Schafer said.

The German minister yesterday spent an hour with Deputy Foreign Minister Surin Phitsuwan at the Foreign Ministry as part of a two-day official visit to Thailand ending yesterday.

"We all hope for Burma to have more democracy and more openness towards its neighbours, Europe and the world community, so that the country could be helped much more. This will be the theme of my talks (with the Burmese leaders)," he said.

Schafer's visit to Burma comes just two days after Burmese troops captured the last Karen National Union stronghold at Kawmura, a victory over the ethnic group fighting for independence. Burmese forces captured the KNU headquarters at Manerplaw on Jan 26.

He said his visit to Burma is a continuation of the "critical political dialogue" referred to by Foreign Minister Klaus Kinkel in his speech at the UN' General Assembly in New York late last year.

Kinkel first floated the idea of the "critical dialogue" with Burma when he attended the Asean Ministerial meeting in Bangkok last July, during which Germany assumed the European Union presidency.

Reportage on International Airport Project

U.S. Firm Seeks Clarification

BK2302065995 Bangkok BANGKOK POST in English 23 Feb 95 p 1

[Report by Darani Kothandapani and Amonrat Mahitthiruk]

[FBIS Transcribed Text] The TAMS/Murphy-Jahn consortium has asked the negotiating committee of the Airports Authority of Thailand [AAT] board for further clarification before it can say whether it will agree to design the terminal for Bangkok's second international airport at the price of 640 million baht.

"We thought it important to list the reasons why we could not accept the 640 million, so that similar conditions would apply to the French (the Aeroports de Paris-led consortium)," explained Lyle H. Hixenbaugh.

"All we ask for is a level playing field. We want the same conditions to apply," said Mr Hixenbaugh, who is corporate vice president of Tams Consultants Inc.

The letter faxed to Sisuk Chantharangsu, chairman of the negotiating committee, seeks to clarify whether or not "for the fee of 640 million baht we would be required to provide all the personnel and perform all of the man-months of work stated in our original financial proposal dated April 1, 1994, and that a provision requiring proof of expended man-months will be included in the contract."

It seeks clarifications as to whether the other requirements of the terms of reference [TOR] will apply, that offers of financing or grants will not be considered in awarding the contract, and that work performed in preparation for the technical proposals will not be accepted as partial fulfilment of the work required by the TOR and listed in the financial proposal.

It wants confirmation that "the AAT will not accept or take into account proposals for early completion of the work, if such proposals include a reduction of man-months contained in the original financial proposal."

And that "the AAT will not consider or take into account any proposals for design-build, design-build-operate, financing of equipment, or any other proposals extraneous to the design of the terminal facilities."

Mr Hixenbaugh said: "We understood that we cannot do any of these things. We did not say no, but we did not say yes either."

The letter states that the consortium is disappointed that "the AAT board had rejected its (the negotiating committee's) recommendation to accept the price that had been negotiated, and therefore would not request approval of the Cabinet to increase the budget so as to allow our contract to be signed."

Meanwhile, Songkhram Sombun, project director of ACT Consultants Co which is part of TAMS/Murphy-Jahn said that the consortium could not afford to reduce the design price to 640 million baht as that would require a reduction in design quality.

Authorities Criticized for Delay

BK2302085895 Bangkok BANGKOK POST in English 23 Feb 95 p 4

[Article by Amonrat Mahitthiruk: "Airport Project Hits Snag"]

[FBIS Transcribed Text] The change of mind by the Transport and Communications Ministry over which firm should design Nong Ngu Hao, Bangkok's second international airport, is likely to jeopardise the country's chances of becoming the regional aviation hub.

At this late date the Airports Authority of Thailand [AAT], which oversees the mega-project, is yet to select a designer for the airport's passenger terminal and this will cause a lengthy delay.

The 97-billion-baht second international airport, to be constructed in Samut Prakan Province, needs to be in operation by the Year 2000 because the volume of air traffic is expected to saturate Don Muang airport.

If not, Thailand may lose the chance of being an aviation hub as international airlines may switch to the airports of neighbouring countries instead of landing in Bangkok.

To become the regional aviation hub, the project's main timetable sets the selection of the designer for the new airport's passenger terminal to be completed by November last year. The AAT has already failed to do that.

As the selection was supposed to be concluded with a US-led consortium, the Transport and Communications Ministry demanded an old condition that was left out earlier. Thus, the chance of a conclusion became slim.

The selection saga began when the AAT announced an international bidding to select the designer early last year. The event brought 184 parties worldwide to buy the terms of reference. But the number of parties which submitted their proposals to the AAT was reduced to only 22.

An AAT sub-committee, chaired by Transport and Communications Ministry Inspector-General Rungrot Siprasoetsuk who was then the director-general of the Aviation Department, screened the contenders into three parties regarding their technical proposals.

According to respective technical ranking, the three were the British-Franco consortium of Aeroports de Paris (ADP), the US-led consortium of C.W. Fentress J.H. Bradburn and Associates PC and the US-led TAMS/Murphy-Jahn consortium.

The C.W. Fentress consortium was later dropped in the middle of last year as the AAT's general engineering consultant for the airport project, because its proposal was against the terms of reference for the bidding contest.

Financial proposals were then considered by an AAT sub-committee chaired by current Aviation Department Director-General Sisuk Chantharangsu. The US-led TAMS/Murphy-Jahn consortium was favoured as it proposed the cost of 1,146 million baht for the passenger terminal design. That was lower than the ADP's quoted price of 1.2 billion baht.

A question was raised then as the US consortium's quoted price still excluded taxation and inflation rates which could increase the cost in the future while the ADP's cost was fixed.

The AAT asked the Office of the Attorney-General to decide whether the TAMS/Murphy-Jahn consortium's escalation clause was against the terms of reference of the bidding contest.

When the office gave the green light for the proposal of the US-led consortium, the AAT had its price negotiating sub-committee invite the consortium for price negotiations before a contract could be signed.

Originally, the AAT had set a reference price of about 640 million baht for the terminal design but the AAT board chaired by ACM [Air Chief Marshal] M.R. Siripong Thongyai had earlier resolved the negotiations would pay attention to the design quality, not to the reference price which had been suggested loosely by the National Economic and Social Development Board.

Initially, Deputy Transport and Communications Minister Det Bunlong seemed to favour the US-led consortium as he said that although the consortium was ranked third in technical aspects it would be much different from those of ADP.

Representatives of the ADP then met the deputy minister to insist that it should have been invited to the AAT's price negotiation. Mr Det then ordered an urgent suspension to the negotiation with the TAMS/Murphy-Jahn consortium but the AAT cleared the obstacle as it clarified that the negotiation with the consortium was in line with a procurement regulation of the Prime Minister's Office.

ADP then lodged copies of its complaint to the House Standing Committee for Transport and Communications and the House Standing Committee on Policy and Budget Administration Control. Both committees echoed the complaints by notifying the ministry once again to look into ADP's request.

As the AAT's price negotiating sub-committee concluded the cost at 997 million baht with the TAMS/Murphy-Jahn consortium's consent, Mr Det emerged to say that the price was considered "too high".

The deputy minister also told the AAT to return to cling to the reference price of 642 million baht although the AAT board had earlier preferred not to focus on the figure. Or else, the ADP could be called for negotiations instead, said Mr Det.

The change in stance seemed to coincide with complaints of ADP, and British and French authorities. Learning of the situation, US authorities also repeated the complaints to Thailand to call for a fairer treatment for its consortium.

Along with the attitude of the Transport and Communications Ministry, the AAT board of directors resolved early this month to reject the concluded price of 997 million baht and told its subcommittee to give an ultimatum to the TAMS/Murphy-Jahn consortium to put it at 642 million baht.

The consortium was given until 4.30 p.m. today to give a take-it-or-leave-it answer whether it could do the design job at rock bottom cost.

If the answer is negative, the AAT may start the price negotiation procedure with the other consortium—ADP. It will take time for the AAT to conclude the new round of negotiations and it cannot be ruled out that the bidding contest which has proceeded for over a year will be scrapped if the ADP refuses to bow to the rock bottom price of 642 million baht.

The airport terminal design issue is the responsibility of Transport and Communications Minister Wichit Suraphongchai and his deputy Det who oversees the AAT.

Of course, the ultimate winner of the project design is a big topic but the bigger issue concerns the country's opportunity of becoming an aviation hub.

A big question mark has been put on whether Bangkok's second international airport can begin operating by the Year 2000. It is high time the government lift the project off the ground.

Cabinet Approves Balanced Budget for 1995/96

BK2202060595 Bangkok THE NATION in English 22 Feb 95 pp B1, B2

[FBIS Transcribed Text] Cabinet yesterday approved the 1995/96 balanced budget of [Thai Baht] Bt832 billion, up 16.4 per cent or Bt117 billion from the current budget. The difference in the increase will be used mainly for local government expenditures as part of the decentralization policy, and the major portion of additional budget will go directly to tambon [canton] councils, municipalities and other local government units, according to Bodi Chunnanon, chief of the Budget Bureau. The Cabinet will receive more details of the budget before it is submitted to Parliament in May.

Finance Minister Tharin Nimmanhemin said the new budget will promote the role of local government units in national development, human resources development, infrastructure development, public health care system (ie, rural medical services), provincial hospital system, and solutions to traffic jams in Bangkok.

The investment budget for 1995/96 will rise to 36.6 per cent of the total budget, compared to last year's 35.5 per cent. The amount of Bt382 billion for investment projects is 16.4 per cent higher, representing 18.1 per cent of the GDP, compared to last year's 17.6 per cent.

Despite the restructure of import duties and the reduction of tax rates early this year, the government is confident that revenue collection will meet the expenditure budget, he said. The Finance and Interior Ministries are formulating measures to control the use of the budget by local governments for maximum efficiency.

Bodi said about 70 per cent of all government units had sent their budgets to the government, amounting to Bt1.1 trillion. The Budget Bureau, the National Economic and Social Development Board and the Bank of Thailand will jointly consider the requests which have to be within the national budget.

Tambon councils and other local government units will be given their own budget. The budget for each MP will be reduced for this purpose to cover the amount which will be given directly to these units. Each MP was given Bt21 million for development of his or her province under the current budget.

The next balanced budget will be the fourth in a row. Economic growth is strong already, so the government does not need deficit spending to stimulate the economy.

Vietnam

Commentary Views 'Tense' Spratly Situation

BK2302112095 Hanoi Voice of Vietnam in English 1000 GMT 23 Feb 95

[Station commentary]

[FBIS Transcribed Text] The situation in the East Sea has become tense again. In recent days, almost all Southeast Asian countries have voiced their opposition to certain activities there. Our radio editor explores the reasons for the tension.

The situation deteriorated when China ordered the construction of military bunkers on Mischief Reef on the

Truong Sa [Spratly] Archipelago, and sent nine warships to be present in the area for many days. In the face of this situation, the Philippines had to put their army on alert. President Fidel Ramos said the move by China ran counter to the letter and spirit of the 1992 statement of ASEAN on the East Sea, which points out that conflicting parties should not further complicate the situation. China withdrew seven warships, and explained that the construction on Mischief Reef was done by the fishery sector to provide wind shield for fishing boats of Chinese fishermen living on the Truong Sa Archipelago.

However, the situation caused much concern, because no one was sure whether the Chinese warships would return or whether the two remaining warships would remain on Truong Sa Archipelago. At present, all regional countries have expressed concern on the unstable situation.

In Vietnam, a spokesman for the Foreign Ministry affirmed Vietnam's sovereignty over the Truong Sa Archipelago and demanded an end to all military activities on the islands. In Kuala Lumpur, Malaysian foreign minister, Mr. Badawi, and the Australian foreign minister, Senator Gareth Evans, expressed their dismay on the Chinese action, and called for the settlement of all disputes by diplomatic means. Mr. Badawi said the most important thing was to respect principle of non-use of force. Meanwhile, Senator Evans held that the situation should be solved through negotiations and diplomatic channel. For its part, Indonesia asked all parties concerned to sit down and negotiate in table, and restrain themselves so open disputes would not occur. The United States expressed support for Indonesian stand and said the situation on the Truong Sa Archipelago was a potential hotbed of tension in Asia, which was dangerous. The Philippine president calmed down the public concerned by saying that his country would resort to all diplomatic means to solve the problem.

All countries in Southeast Asia want China to withdraw all its warships from Truong Sa Archipelago, and put an end to its military activities in the region. There is no other choice than to follow the 1992 ASEAN statement on the East Sea to calm down the situation.

Japanese Keidanren Delegation Visits Hanoi

Seeking Trade Opportunities

OW2102122495 Tokyo KYODO in English 1205 GMT 21 Feb 95

[FBIS Transcribed Text] Hanoi, Feb. 21 KYODO—A high-powered delegation of Japanese business leaders arrived in Hanoi on Tuesday [21 February] to look into expanding trade and investment opportunities in Vietnam.

The eight-member delegation of the Federation of Economic Organizations (Keidanren) will meet with top Vietnamese leaders in Hanoi before heading to Ho Chi Minh City on Friday.

The team is headed by Keidanren Chairman Shoichiro Toyoda, who is also chairman of Toyota Motor Corp., and includes top leaders from other major Japanese manufacturing and trading firms.

On Wednesday, the delegation will pay calls on Communist Party chief Do Muoi and Prime Minister Vo Van Kiet, while also meeting with officials from the State Planning Committee.

The following day they will have separate meetings with President Le Duc Anh and Deputy Prime Minister Pham Van Khai, as well as officials from the State Committee for Cooperation and Investment (SCCI).

Japan is Vietnam's top trading partner and foremost aid donor, though it trails behind Taiwan, Hong Kong, Singapore and South Korea as an investor, with 68 projects valued at 690.1 million dollars in investment capital.

Meets Do Muoi, Vo Van Kiet

BK2202155095 Hanoi VNA in English 1510 GMT 22 Feb 95

[FBIS Transcribed Text] Hanoi VNA Feb. 22—Party General Secretary Do Muoi and Prime Minister Vo Van Kiet received here this afternoon on separate occasions a 13-member delegation from Japan's most powerful business association led by chairman of the Japan Federation of Economic Organizations (Keidanren) Shoichiro Toyoda, who arrived here yesterday.

The party chief said, the bilateral cooperation and friendship between Vietnam and Japan have been developed well, and that Vietnam encouraged Japanese economic organizations to increase exchanges of experience, to broaden their cooperation and investment, to transfer technology and to help Vietnam in personnel training as well as in other fields. Or his part, the Vietnamese Government leader, Mr Vo Van Kiet, highly valued the visit by the Japanese big trade delegation as a new manifestation of the growing Vietnam-Japan friendship and cooperation. He affirmed Vietnam's appreciation that the Vietnamese-Japanese economic cooperation plays on important role in its renovation process as well as its on-going industrialization and modernization.

During the receptions, the Keidanren chairman conveyed Japanese prime minister's regards to the Vietnamese leaders. He informed them of the results of his sessions with Cabinet Minister and Chairman of the Vietnam State Planning Committee Do Quoc Sam on the development of the two countries' economic-commercial exchange. The chairman said he was not satisfied with the fact that his country has been ranked fifth among foreign investors in Vietnam, but Japan's commercial relationship and ODA (official development aid) to Vietnam are comparatively appreciated. Therefore he hoped that the visit would create good premises for the development of friendship and mutually beneficial cooperation between the two countries in general, and between his group and Vietnam in particularly, for each country's prosperity and for peace, stability, cooperation and development in the region.

This morning, the Japanese delegation had a working session with a Vietnamese delegation of the State Planning Committee led by minister and its chairman Do Quoc Sam, who said that the Vietnamese Government and people have highlighted Keidanren's important role in economic cooperation with domestic and foreign partners.

Mr Toyoda stressed that as Vietnam would be important for regional development, Keidanren wished for the further development of bilateral cooperation of mutual benefits, a promising pre-condition of which being the visit.

The two sides reaffirmed that the recent organization of two Vietnam-Japan joint economic cooperation conferences in Hanoi and Ho Chi Minh City has created new steps of development for bilateral economic and commercial cooperation and investment. They discussed important issues relating to their cooperation and management of small and medium-sized enterprises and personnel training.

National Assembly Group Visits South Pacific

BK2202104495 Hanoi VNA in English 0655 GMT 22 Feb 95

[FBIS Transcribed Text] Hanoi VNA Feb. 22—A delegation of the National Assembly led by Hoang Bich Son, member of the Standing Committee and head of the External Relations Commission of the National Assembly, paid working visits to Australia, Fiji and Vanuatu from Feb. 7-18.

The delegation included Huu Tho, member of the external relations commission and Le Minh Huong, member of the Commission for National Defence and Security.

While in Australia, the delegation held talks with Senator Gareth Evans, who is also minister for foreign affairs and an Australian Parliament delegation led by Mr Stephan Loosy, head of its commission for external relations, national defence and trade. The two sides highly valued the fine development of the friendly and cooperative relations between Vietnam and Australia and agreed to further these relations on the basis of mutual understanding. They spoke of the trend for peace, friendship, stability and cooperation for development in the Asia-Pacific region and expressed their determination to contribute to this trend.

While receiving the Vietnamese delegation, Mr. Michael Beahan, president of the senate, praised Vietnam's renovation process, highly valued the fine development of the relations between the two countries and expressed his belief that the friendship and cooperation between the two governments, national assemblies, and peoples would be further strengthened.

During its stay in Australia, the Vietnamese delegation also met with many MPs of various parties, senior officials of the federal government and representatives of companies which have been entering into joint ventures with Vietnamese partners such as BHP, Telstra, ANZ Bank, the Australia Chamber of commerce and Industry and so on.

In Fiji, the delgation met with some MPs, the general secretary of the parliament and the state minister for foreign affairs. They also visited a number of economic establishments.

In Vanuatu, the Vietnamese delegation held talks with the minister of education, MPs and a number of senior officials of the government. They were received by Mr. Albred Maseng, acting president and chairman of the parliament of the Republic of Vanuatu.

Before leaving Vanuatu, the delegation called on several Vietnamese residents who have lived in the country for over fifty years.

Talking with the Vietnamse MPs, the leaders of Fiji and Vanuatu welcomed the Vietnamese people's achievements in their current renovation process and expressed their desires to promote the fine friendship and cooperation with the National Assembly, the government and development in Asia and the Pacific and the rest of the world. They stressed the need to exchange information and enhance the relations between their parliaments for the closer friendship and cooperation of mutual development in the region.

Party Discipline Inspection Group Visits Laos

BK2202155395 Hanoi VNA in English 1510 GMT 22 Feb 95

[FBIS Transcribed Text] Hanoi VNA Feb. 22—A delegation of the Commission for Discipline Inspection of the Communist Party of Vietnam Central Committee led by Do Quang Thang, Politburo member and secretary of the party Central Committee, and chairman of the commission, paid a working visit to Laos from Feb. 15-22.

During the visit, made at the invitation of the Commission for Discipline Inspection of the Lao People's Revolutionary Party [LPRP] Central Committee and the Anti-Corruption Committee of Laos, the Vietnamese delegation had working sessions with a delegation of the host commission and committee led by Maichantan Sengmani, Politburo member of the party Central Committee and head of the commission. The two sides informed each others of their respective countries' socio-economic development and party activities.

The Vietnamese party officials worked with relevant agencies of Vientiane city and Vientiane Province on the implementation of party resolutions and instructions by party organisations at state agencies.

The delegation was received on Feb. 21 by Khamtai Siphandon, chairman of the LPRP Central Committee and prime minister of Laos, who welcomed the Vietnamese party officials' visit as a contribution to further promoting the close friendship and comprehensive cooperation between the two parties, states and peoples.

Vo Van Kiet Addresses Journalists

BK2302065795 Hanoi VIETNAM INVESTMENT REVIEW in English 30 Jan-5 Feb 95 pp 1, 2

[Report by Nguyen Tri Dung]

[FBIS Transcribed Text] Vietnamese journalists and media executive received strong guidance from Premier Vo Van Kiet during a pre-Tet meeting last week during which Kiet urged members of the nation's mass media to work alongside the government in order to facilitate Vietnam's advance toward industrialization and modernization.

Kiet's message focused on principles of "doi moi" and the responsible role of journalists in changing Vietnam.

Senior editors from the local press listened intently as Kiet related how the Government closely follows all articles appearing in the country's many papers and regards the channel as an important information source for the daily executive and managerial duties of Vietnam's ruling bodies. "You (the press) have helped us greatly in grasping what is going on and what should and must be resolved," Kiet praised.

"People regard me as an optimist," Kiet said. "However, I cannot ignore the mounting difficulties and challenges which currently faces the country. To overcome these hurdles, we must pull together our collective efforts and be prepared to make sacrifices."

The premier noted that while post-doi moi Vietnam has brought the country into prosperity, reforms of liberalization and openness have also pitted the country into a new era of enormous competition and complications.

"The most crucial goal is to advance our nation's growing status in the international community while maintaining Vietnam's firm allegiance to national independence, self-reliance, and sovereign identity." Kiet said.

"Although we must not ignore the difficulties and challenges confronting Vietnam, we should hold steadfast to the strength of our very special Party, people, tradition, and national identity."

Kiet strongly urged the press to join forces in the campaign to promote national pride and self-respect in the Vietnamese people. Referring to this joint push as a "life and death issue," Kiet prompted all to "do everything possible to boost development and achieve targets set forth for the year 2,000."

The premier made it clear that editors are directly responsible for all articles that appear in their publication. This means that they must carry out their citizen's duty of selecting and approving only appropriate pieces for printing.

As for the journalists, Kiet warned that "untruthful" reports impose severe burdens on the Government to manage and implement vital executive policies.

While Vietnamese law offers freedom of the press, Kiet reminded everyone present that this freedom does not give journalists the right to "stir up disorder against governmental regulations or corrupt the lifestyle of the general population".

"We must fight against false and distorted propaganda, regardless of their source, in order to protect our nation's genuine interests," Kiet stated. "Everyone is covered equally under the umbrella of the law and there is no exception, including Communist Party officials. When Party members break the law, they are treated as criminals."

"Commercialization" of the press is another central problem, warned Kiet. "Advertisements are needed, but they should be treated in a more appropriate manner."

Kiet pledged adamant support from the Government for journalists and editors to carry out their appointed responsibilities and duties. "The Government will ameliorate conditions for mass media institutions as to improve their working conditions and better the living standards of their reporters. One helping gesture is to overhaul some legal terms regarding press taxes, including those on advertisements, turnovers and incomes."

Party Holds Conference on Administration Reform

BK2202141695 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 21 Feb 95

[FBIS Translated Text] The Party Central Committee [PCC] Secretariat during 21-22 February at Ba Dinh Conference Hall in Hanoi held a national conference to disclose and discuss the implementation plan of the resolution of the PCC Eighth Plenum on the continuation of the reform of the state mechanism of the Socialist Republic of Vietnam [SRV] with the focus on administration reforms and the resolution of the PCC Political Bureau on major orientations for ideological tasks during the present period.

Attending the conference were standing deputy secretaries of party committees of provinces and cities; chairmen or vice chairmen of people's committees and people's councils; heads of propaganda and education sections and heads of internal affairs sections of 53 provinces and cities nationwide; and representatives from party affairs committees of government ministries, state committees, general departments, and institutes at central level.

Party General Secretary Do Muoi and other members in the PCC Political Bureau such as Le Duc Anh, Dao Duy Tung, Phan Van Khai, and Nguyen Duc Binh directed the conference and explained the contents of the resolutions.

During the first day of the conference, after the opening brief of Comrade Dao Duy Tung, deputies studied directly the documents of the PCC Eighth Plenum, including the opening and closing speeches by party General Secretary Do Muoi; the resolution of the PCC Eighth Plenum; the PCC Secretariat's directive on the implementation of this important resolution; and the resolution of the PCC Political Bureau on orientations on ideology tasks for the present period.

Authorized by the PCC Political Bureau, Comrade Phan Van Khai outlined the contents of the administration reforms and the plan to implement the resolution of the PCC Eighth Plenum; Comrade Nguyen Duc Binh outlined the major orientations for the ideology tasks.

Comrade Phan Van Khai carefully analyzed the urgent need for and essential role of the state administration reforms to continue perfecting the mechanism of the SRV. He pointed out the objectives of the reforms, which are to build a competent and clean administration that exercises its authority appropriately and pursues modernization for the sake of effective management, thus creating trust and love from the people. The guiding concepts for the administration reforms are that the reforms contribute an essential part in the building of a law-governed state of Vietnam, and the reforms are closely attached to the party renovation and rectification. The administration should be democratic and should effectively serve the people and help maintain social order and discipline in accordance with the law. The administration reforms should promote and accelerate the country's renovation undertaking in the direction of industrialization and modernization. All initiations in administration reforms should stem from real life demands, be close to real conditions, and aim at obtaining practical results that have a positive impact on all domains of social life. He stressed that the administration reforms should be implemented simultaneously in three areas: regulations, structure, and the contingent of cadres and state employees.

For the immediate future, it is essential to focus on concrete tasks such as the reform of administration procedures, the handling of complaints and petitions, and the upholding of the rights of citizens on access to information, supervision, and the contribution of opinions to state agencies. The new economic framework needs to be continually refined, the process of making law and regulations needs to be renovated, and the law enforcement should be heightened to firmly maintain order and discipline in society as well as in the state mechanism. The government organization mechanism should be adjusted, the local administration system should be consolidated, especially the administration of cities and municipal towns. The public administration regulations and awards for state employees should be promulgated with standard grades and levels and an improved salary policy. State employees should be regularly trained and retrained in parallel with efforts to fight corruption and wasteful spending of public funds. The administration reforms in parallel with party rectification should be considered a core task in 1995 for party and administration authorities at all levels.

Comrade Nguyen Duc Binh carefully analyzed the ideological work in the past years. He pointed out that four major concepts in the current ideological work are: to assert Marxist-Leninism and Ho Chi Minh Thought, combine national independence with socialism, confirm the party leadership, and follow socialist direction in all party, state, and people's renovative activities. He spent time to analyze thoroughly some key directions relating to the building and perfection of the state mechanism and two directions involving national industrialization and modernization and the development of a commodity-based and multisectoral economy under the market mechanism with the state management to follow the socialist direction. He stated that economic development must go together with social progress and the improvement of social justice.

He stressed that the ideological work is the task of the entire party. Therefore, party echelons, mass organizations, and state organs need to comprehend thoroughly the major directions in the ideological work, improve leadership and guidelines regarding the ideological work, combine theory with practical activities, correctly solve urgent issues in daily life, establish a firm ideological foundation in the party and entire society, and meet the continual demands for national development.

Comrade Nguyen Duc Binh also pointed out the key tasks that need appropriate instructions to ensure satisfactory results in the current ideological work. He specially emphasized the need for the encouragement of all organizations and individuals, starting with theoretical research organs and scientific and social offices, to review their practical activities and ideological research so that they can offer suggestions and actively participate in the preparation for the eighth party national congress.

While delivering a concluding speech at the conference, Comrade Le Duc Anh stressed that the comprehension and implementation of the Eighth Plenum resolution have great significance in obtaining rapid and firm socioeconomic development under the socialist direction. He carefully analyzed the social class nature of our government: the class nature of our government is a fundamental issue in all efforts to build and perfect a socialist government, in which all party members working in the government must exercise diligence, practice frugality, instill honesty, uphold righteousness, and devote their hearts and minds to the people, reflecting the nature of a socialist government of the people, by the people, and for the people.

He also mentioned the spirit of national independence and sovereignty. He considered it the most precious and sacred resource for our party's revolutionary tradition. When executing resolutions of the party Central Committee and Political Bureau, this spirit must be allowed to permeate. Our entire party, soldiers, and people should determinedly strive to grasp all opportunities, push back dangers, create strong and concrete changes in consolidating and building the state mechanism, and increase the people's confidence, strength, and support to take our renovation undertaking to a new height.

At the conference, the delegates were delighted to listen to a speech delivered by Comrade General Secretary Do Muoi. He identified the achievements as well as the weak points and problems in socioeconomic management in the last four years. He emphasized the responsibility of party committees at all levels in executing the state planning in 1995, an important year with a decisive meaning for the fulfillment of the 1991-95 five-year plan; the preparation of the 1996-2000 five-year plan; and practical arrangements for the upcoming eighth national party congress.

Ministry Issues Import, Export Prohibitions

BK2202161495 Hanoi VNA in English 1425 GMT 22 Feb 95

[FBIS Transcribed Text] Hanoi VNA Feb. 22—The Ministry of Trade has released a list of items that may not be imported or exported. This new list effective April 1 onwards replaces the one issued last March.

Items prohibited from export include weapons, ammunition, explosive materials, military facilities, antiques, drugs, toxic chemical substances, timber (including logs and planks), rattan as raw material, and rare fauna and flora.

Items prohibited from import include weapons, ammunition, explosive materials, military facilities, drugs, toxic chemical substances, depraved and reactionary publications, firecrackers, toys deemed to have negative effects on children and social security, cigarettes beyond the allowed amount, second-hand goods (excluding cars with fewer than 12 seats, motorbikes and regulated personal luggage), vehicles with right-hand drive and their spare parts and accessories.

Australia

Commentary on Security, U.S. Economic Ties

BK2102135395 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 6 Feb 95 p 18

[Commentary by Geoffrey Barker: "Australia Treads Cautiously in the Post Cold-War climate"]

[FBIS Transcribed Text] Predictions of a post-Cold War decline in the US-Australia security alliance appear to have been somewhat premature, judging by last week's visit to Australia by the US Deputy Secretary of State, Mr Strobe Talbott.

But a major transformation of the alliance is unfolding as both countries move to nest their relationship more firmly within the emerging ASEAN Regional Forum, ARF. How that transformation evolves will be central to US-Australian security and economic relations into the 21st century.

A main purpose behind Mr Talbott's visit was to underscore the somewhat late US conversion to multilateral diplomatic forums like ARF and the Asia Pacific Economic Co-operation forum, APEC, now embraced warmly by President Clinton.

"There should be no mistaking our intention to use the ARF and other security mechanisms that are available to us now that the Cold War is over as auxiliaries or supplements to the core security arrangements of which the US-Australian treaty is central," Mr Talbott told a press conference.

Acknowledging the role of the Australian Foreign Affairs Minister, Senator Evans, in the establishment of ARF, he added: "No nation in the region has done more than Australia intellectually and diplomatically to put its resources where its principles and interests lie ... We could not ask for a better ally, partner, and friend."

Senator Evans told THE AUSTRALIAN FINANCIAL REVIEW that Australia, and most other nations in the Asia-Pacific region, accepted the US role and presence as a "balancing wheel" in the region and supported continuing a strong US presence, especially in Japan and Korea.

"But notwithstanding this emphasis on traditional balance-of-power considerations (and our bilateral alliance supports that) there is a strong commitment by both of us to the notion of multilateral dialogue processes, and the ARF is the vehicle for that," he said.

This evolution of the US-Australia alliance is partly a consequence of changes in US and Australian strategic perceptions now that the Cold War is over. Both countries, despite increasingly acrimonious trade disputes, continue to share important security and economic interests, but Australia is far less important to US vital interests now that the threat of global nuclear war with the Soviet Union has passed.

Australia, having accepted that dependence on great and powerful friends is a policy of sharply diminishing returns in the post-Cold War world, has moved to build its economic future in the Asia- Pacific region and to achieve defence self-reliance underpinned by US intelligence and advanced technology.

The US, anxious to reduce military budgets while maintaining influence in the Asia-Pacific region, sees ARF with APEC as vehicles for developing the regional economy and security in a broader context than is possible solely through its important but disparate bilateral alliances with nations like Japan and Australia.

Especially at a time when isolationist pressures are reemerging in Washington, involvement in ARF and APEC provides a focus and justification for continued US engagement as the stabilising force in a booming region that remains complex and changeable.

For Australia, ARF and APEC provide a way of bringing together regional and alliance economic and security interests. So it is hardly surprising that Australia, especially Senator Evans, has played a major role in convincing the US of the potential utility of the ARF.

The 18-member ARF, which met for the first time last July, comprises the six ASEAN countries with Australia, New Zealand, the US, Canada, Japan, the Republic of Korea, the European Union, China, Papua New Guinea, Laos, Russia, and Vietnam.

While ARF's prospects for evolving into a genuine Asia-Pacific community are still embryonic, Mr Talbott and Senator Evans have embraced the view of Professor Paul Dibb, Australia's pre-eminent strategic theorist, who argued in 1993 that the US-Australia alliance relationship would become much more balanced over the next decade if the two countries could formulate "a new sense of alliance purpose which will focus on encouraging a community of strategic interests with Australia's own region".

Obviously if such a community emerged from ARF and APEC, the weight placed by Australia and the US on their bilateral alliance will become less intense without becoming less important, at least to Australia.

As long ago as 1969, President Nixon's Guam doctrine and the US defeat in Vietnam gave Australia clear warning that its historic reliance on great and powerful friends was no longer tenable.

Increasingly critical assessments of the ANZUS [Australia-New Zealand-U.S. Defense Pact] Treaty (it was only ever an agreement to consult in the event of attack) and increasingly realistic assessments of Australia's ultimate strategic significance to the US gradually persuaded Australian governments of the need for greater defence self-reliance.

Throughout the Cold War Australia sought to reinforce its anti- communist alliance with the US by fighting in Korea and Vietnam, allowing the US to base crucial nuclear-war fighting, intelligence gathering, and communications facilities in Australia, and providing port access for nuclear-armed US warships.

But over the last decade, and overlapping with the end of the Cold War, US-Australia relations have often been marked by trade disputes arising out of US farm subsidies—and by differences over the handling of human rights abuses, especially in China and Indonesia.

While, as Senator Evans acknowledges, Australian hopes for ARF might seem optimistic, it is probably also true that history has left Australia with few better security options. It preserves the alliance with the US within a wider framework within which Australia and the US, in common and in competition, will search for economic and security stability with a range of emerging and increasingly assertive regional players.

It will be a slow, uncertain, complex and often muddled search with enormous potential for misunderstanding and miscalculation. Welcome to the post Cold-War world.

Foreign Affairs Official on PNG Economy

BK2302080395 Melbourne Radio Australia in English 0500 GMT 23 Feb 95

[FBIS Transcribed Text] Australia has signalled a get-tough approach with Papua New Guinea [PNG] over its financially troubled economy. The head of Australia's Foreign Affairs Department, Michael Costello, says PNG must reach agreement with the World Bank and IMF on an economic adjustment package.

Mr. Costello says such an agreement is the best way for PNG to retain investor confidence with the Kina devalued and the government now unable to deliver many essential services. Mr. Costello warned that Australia will bear the issue in mind when undertaking this year's review of Australia's aid treaty with PNG.

[Begin Costello recording] When the domestic policy side of South Pacific countries fail to address domestic challenges, there are limits to the assistance any external power can provide.

Australia remains committed—completely committed—to assisting Pacific island governments, but in the absence of sound long-term domestic economic policies, such assistance will only have a short-term palliative effect. [end recording]

Contingent of 281 Soldiers Leaves for Rwanda

BK1902123095 Melbourne Radio Australia in English 1100 GMT 19 Feb 95

[FBIS Transcribed Text] A contingent of 281 Australian soldiers has left to serve with the United Nations in Rwanda. They are [to] replace about 300 Australian soldiers who have been working in the African nation for the past six months. The new Australian contingent will provide medical support to the United Nations as well as humanitarian aid to the Rwandans. Their flight from the northeastern city of Townsvilles was delayed four times because of problems with the Boeing-747 aircraft chartered by the UN, and eventually left 15 hours late. The Australian defense minister, Robert Ray, said he'd asked the UN why the plane had been in such need of repair.

[Begin Ray recording] [Words indistinct] time to time but if we find any evidence that they tried to skimp and [words indistinct] then we'll be able to certainly take it up in the [word indistinct] and make sure it never happens again. [end recording]

Fiji

Ministry Protests Japan's Nuclear Waste Shipment

LD2202120295 Wellington Radio New Zealand International in English 0800 GMT 22 Feb 95

[FBIS Transcribed Text] Fiji has joined a growing list of Pacific nations protesting against a shipment to Japan of high-level radioactive waste, which is due to leave France tomorrow.

In a diplomatic note, Fiji's Foreign Affairs Ministry told the Japanese Embassy it was strongly opposed to shipping such highly radioactive materials through the South Pacific. It asked Japan to make sure the British freighter carrying the waste, the Pacific Pintail, kept out of Fiji's 200 nautical mile exclusive economic zone.

In addition Fiji has asked Japan to reconsider its policy on the transport of highly radioactive materials.

The Federated States of Micronesia and Nauru have already protested against the shipment, although the South Pacific Forum is not expected to take a unified stand on the issue.

New Zealand recently expressed concern at the waste shipment but did not ask for it to be barred from New Zealand waters.

Papua New Guinea

BRA Rebels Ready To Escalate Military Campaign

LD2302101795 Melbourne Radio Australia in English 0900 GMT 23 Feb 95

[FBIS Transcribed Text] An official of the Bougainville Revolutionary Army [BRA] has warned that the rebel group is about to escalate its military campaign against Papua New Guinea [PNG] Security Forces and civilians.

BRA spokesman Martin Miriori said there was growing frustration among the leadership that the Papua New Guinea Government was excluding the BRA from discussions on the island's future. The Papua New Guinea Government and the interim authority chairman on the island have been involved in talks for several months on establishing a transitional government.

Speaking from Solomon Islands Mr. Miriori said the deliberate attempt by Prime Minister Sir Julius Chan to marginalize the BRA could have significant implications. He said the frustration could be seen in incidents such as the recent attack on an aircraft in Bougainville South in which a public servant was killed.

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